

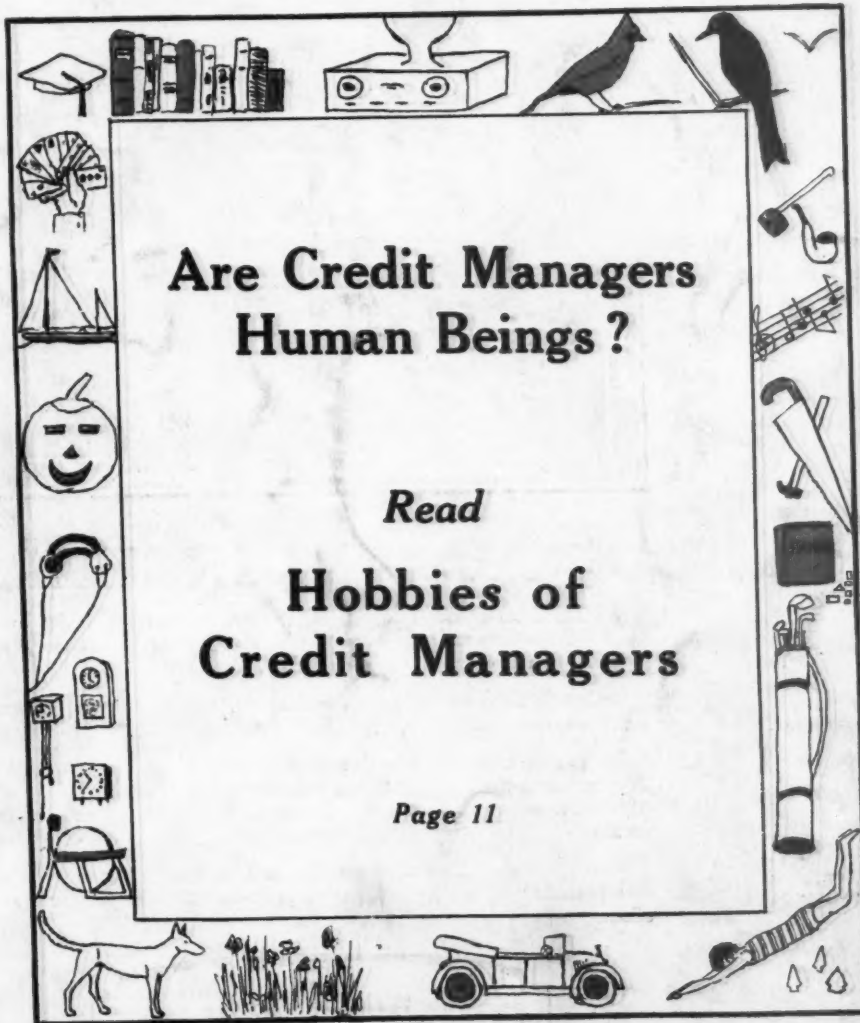
CREDIT

MONTHLY

(Reg. U. S. Pat. Off.)

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USE and OCCUPANCY INSURANCE

WHEN an owner says rebuild at once it means that he has a large reserve capital with which to meet the necessary expenses,—or a Use and Occupancy policy.

Certain fixed expenses such as Interest, salaries of valuable men, taxes, and others continue, regardless of the fire.

Use and Occupancy insurance will assume these expenses until the plant can be rebuilt and put into operation. In addition it will pay to the owner the profit that he would have made had there been no fire.

Use and Occu-
pancy Insurance
strengthens credit.

Credit needs the protection that a Use and Occupancy policy will furnish. Credit men should suggest it to their prospects and clients.

**COMMERCIAL UNION
ASSURANCE CO., LTD.**

NEW YORK

CHICAGO

SAN FRANCISCO

ATLANTA

DALLAS

SEPTEMBER, 1927

1

“Do Your Records Talk or Just Mumble?”



“IT’S your bookkeeping, Jones, that keeps you on the ‘risky’ list.” The Credit Manager, calling on a “slow” customer, was speaking.

“You have a good stock, nice fixtures, plenty of trade, but you are not showing a **profit**. You’ll have to put in a good accounting system that will tell us what has been wrong so you can correct it. Otherwise . . .

“Records are no good, Jones, unless they **talk plain** and tell you where you stand every day. Your records just mumble!”

~ ~ ~

Irving-Pitt records TALK. They tell the dealer in plain figures—every day in the year—whether he is making or losing money—and all other information necessary to a smooth running, profitable business.

That’s because they are **specialized**. There is a specific

I-P System for every business, every profession—simple, concise, easy to use—made to fit the user’s needs. Their simplicity makes them the most desirable records available to the busy merchant.

Realizing that a customer’s financial statement is no more accurate than the records behind it, Credit Managers everywhere are recommending I-P records. The results, they say, are highly satisfactory. “Slow” customers quicken their pace! Doubtful risks remove the doubt. Credit relations, on the whole, improve.

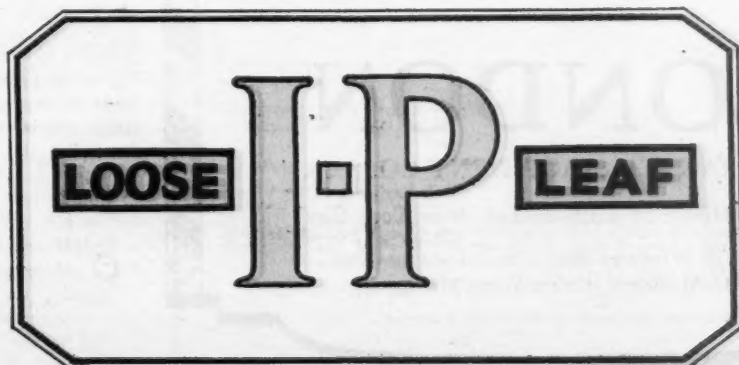
Our practical accounting men have prepared a new catalog manual, “Worth Keeping—Records That Talk.” Ask your I-P stationer or write us for this valuable addition to your library.

IRVING-PITT MANUFACTURING CO.

Chicago

KANSAS CITY

New York



When writing to advertisers, please mention the Credit Monthly

Arizona's New Landlord Lien Law

OF vital interest to credit managers of concerns selling in Arizona is the passage of a new Landlord Lien Law for the State. The new piece of legislation was passed over the veto of the Governor and became effective July 21, 1927.

Under the old law, a severe hardship was worked upon firms selling in Arizona because the landlord was constituted a preferred creditor for the unexpired term of his lease.

The passage of the law comes after several years' effort to amend the

former measure. Active in the work of securing a new law were the Los Angeles Credit Men's Association, the Wholesalers' Board of Trade of Los Angeles, the San Francisco Association of Credit Men, the Board of Trade of San Francisco, the State Association of Credit Men, El Paso and the N. A. C. M. through many members selling in Arizona.

The text of the law passed by the Arizona legislature on April 20, 1927, follows:

AN ACT

To Amend Section 3671, Chapter IV, Title 29, Revised Statutes of Arizona, 1913, Civil Code, Concerning Lien of Landlord, so as to provide that the lien shall not secure the payment of rent after the death or bankruptcy of lessee, or after date of assignment for the benefit of creditors of lessee.

Be it Enacted by the Legislature of the State of Arizona:

Section 1. That Section 3671, Chapter IV, Title 29, Revised Statutes of Arizona, 1913, Civil Code, be and the same is hereby amended to read as follows:

3671. Every landlord shall have a lien on all the property of his tenant not exempt by law, placed upon or used on the leased premises until his rent shall be paid, provided such lien shall not secure the payment of rent for any period of the lease ensuing after the death or bankruptcy of the lessee or after an assignment for the benefit of lessee's creditors, and such landlord, his agent or attorney, may seize, for rent, any personal property of his tenant that may be found on the premises or in the county where such tenant shall reside, but not property of any other person, although the same may be found on the premises shall be liable for seizure for rent due from such tenant, and in case of failure of the tenant to allow the landlord, his agent or attorney to take possession of such property for the payment of rent, said landlord shall have the right to reduce such property to his possession by action against the tenant to recover the possession of the same, and may hold or sell the same for the purpose of paying said rent unless said rent shall be paid before sale, and every landlord shall have a lien upon the crops grown or growing upon the leased premises for rent, thereof, whether the same is payable wholly or in part in money or specific articles of property or products of the premises or labor and also for the faithful performance of the terms of the lease, and such lien shall continue for a period of six months after the expiration of the term for which the premises were leased, and, in all cases where the demised premises shall be let or lease assigned the landlord shall have the same right to enforce his lien against sublessee or assignee as he has against the tenant to whom the premises were leased; provided, that nothing in this paragraph shall be construed to apply to any relationship of landlord and tenant entered into and binding prior to the date when this act takes effect.

Section 2. All acts and parts of acts in conflict with the provisions of this act are hereby repealed.

Disapproved by the Governor March 15, 1927, and returned to the Legislature.

Passed by the Legislature, the Governor's veto notwithstanding, on April 20, 1927.

Filed in the office of the Secretary of State, April 21, 1927.



Credit INSURANCE

IT is hardly possible to anticipate definitely or guarantee to "cash in" on every credit account.

Such unfortunate calamities as conflagration, flood, automobile accident or insanity cannot be foreseen. The old reliable customer as well as the new one is subject to reverses directly traceable to conditions outside of his business. Your account with a well rated and thoroughly investigated debtor may suddenly be placed in jeopardy.

The Credit Manager and the machinery he has set up are indispensable to the conducting of a business but he must work to a certain extent blindfolded as to the future. You are operating in and can control the present. Why not control the future? CREDIT INSURANCE reaches into the future and makes your calculations certain of fulfillment. A CREDIT INSURANCE policy in the London Company will protect your decisions from the effect of the unforeseen.

LONDON

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Oliver J. Matthews, Mgr. Credit Insurance Dept.
C. M. Berger, United States Manager

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Cincinnati Organizations Honor President Gruen of the N. A. C. M.

GEORGE J. GRUEN, President of the National Association of Credit Men, Treasurer of the Gruen Watch Mfg. Co., and a member of the Cincinnati Chamber of Commerce, received the tribute of an informal dinner, given at the Cincinnati Zoo on July 27 by the Cincinnati Association of Credit Men, the Cincinnati Club, the Chamber of Commerce and the Rotary Club of that city.

Alfred T. Woodward, President of the Cincinnati A. C. M., was toastmaster at the dinner. E. A. Anderson, former president of the Cincinnati Club, reviewed Mr. Gruen's work with the Cincinnati Association in detail, bringing out the fact that under his régime, the membership of the association had been doubled and its office staff increased from 2 to 37 to handle the added volume of work. Mr. Gruen's responsibility for two important developments in the Cincinnati Association—the Interchange Bureau and the Adjustment Bureau—was emphasized by Mr. Anderson.

Charles W. Dupuis, President of the Cincinnati Club, and a former member of the Board of Directors of the N. A. C. M., characterized Mr. Gruen's election to the presidency of the National Association as a recognition of his abilities and of the importance of the Cincinnati business men in the Association. He called Mr. Gruen "the good will messenger of the Ohio business men." D. H. Keller, former president of the Chamber of Commerce, spoke in behalf of that organization.

President Gruen responded to these addresses with a short talk in which he stressed the aims of the Adjustment Bureau to rehabilitate business houses in financial difficulties, the present purpose of nationalizing all Adjustment Bureaus, and of the endeavor of the N. A. C. M. to bring about the establishment of Credit Interchange Bureaus from the present 64 to 85 or more cities, on a uniform rather than a local basis.

The speeches were broadcast by station WLW.

CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

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Vol.
XXIX
No. 9

Coming!

1928

AND A

BIGGER ^{AND} BETTER

CREDIT Diary for 1928 and
MANUAL OF COMMERCIAL LAWS

Value-Unlimited. Price \$4.00 Advance Order Price to Dec. 1st \$3.50

*Only a limited Edition will be printed
Ready for distribution December 1st*

{ The Laws have changed in many
States in the last year and the
MANUAL has been completely revised. }

Place your order early as there will
be *positively no Second Edition.*

NATIONAL ASSOCIATION OF CREDIT MEN
One Park Avenue New York

When writing to advertisers, please mention the Credit Monthly

Get Close To Him!

"BILL, you know how to write letters," said the Manager-Not-Too-Young-To-Learn, pulling nervously at a cigar. "What in blazes is the matter with my side of this correspondence?" He slammed a folder on to the desk.

"Flatterers live at the expense of the flattered. But in this case——" The Scribe reached forward and deftly lifted a corona from his friend's breast pocket, cracked the near end between thumb and finger, lighted it—and flipped open the folder. Tilting his head towards the glass door marked: **PRIVATE** he said, "Tell Miss O'Flaherty I'm out."

The Manager obeyed and then rambled softly around the big room, while the other dug rapidly through the letters.

"It took you three months to land him, and then it was on his terms, not yours," remarked the Scribe as he reached the last letter in the folder, and looked up at his friend.

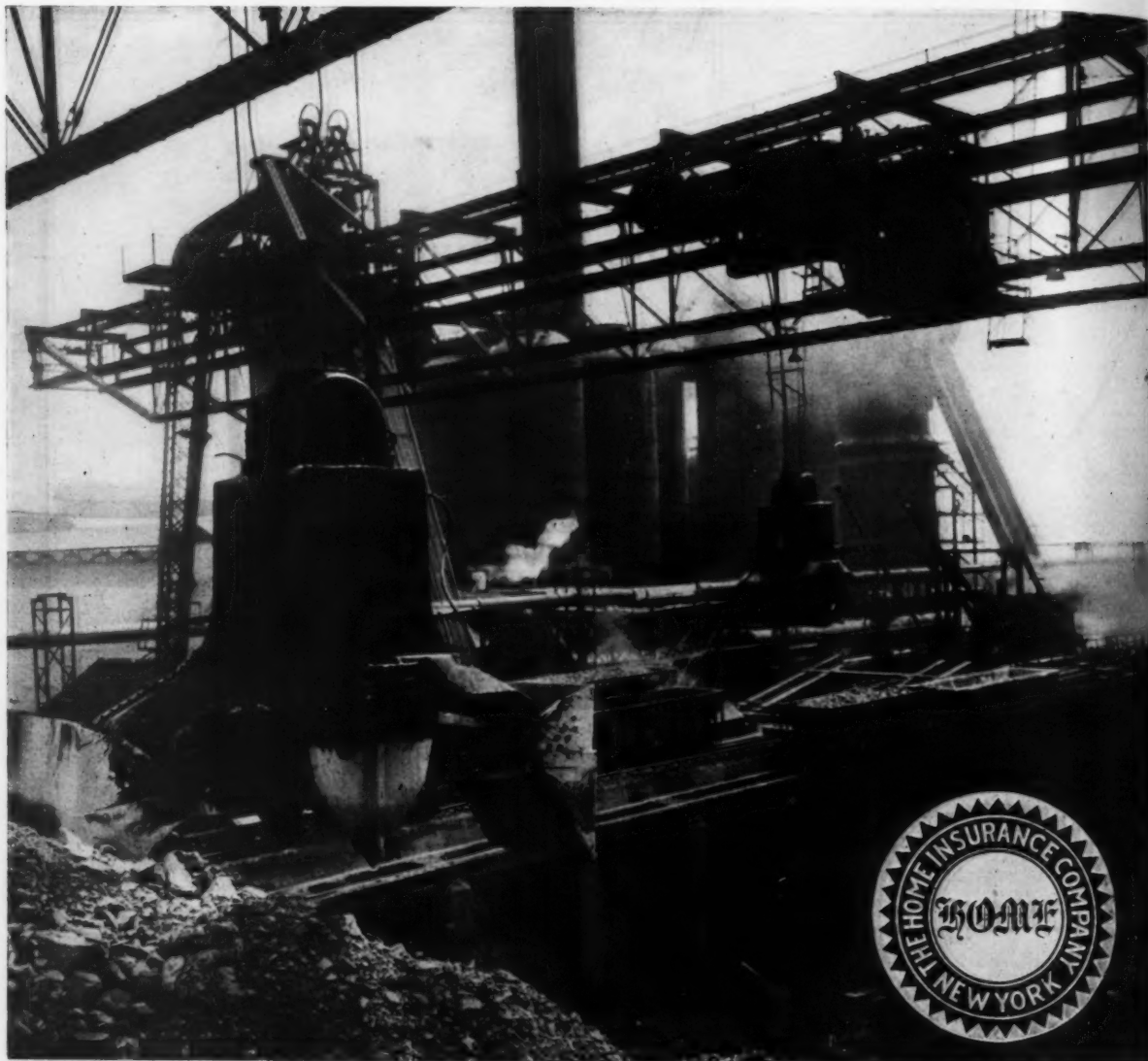
"Jake," he went on, "you have all the ordinary, obvious things down fine. You're always clear—no foggy sentences; you don't use unnecessary words, or words that distract attention from the meaning; you don't begin every paragraph with I; you keep your temper; you answer letters promptly; you don't delay meeting an issue; you employ a stenographer who can spell, and who knows how to place a letter on the page. But *you don't get close enough to the reader.*

"Show the reader you know about all his troubles and that you sympathize with him. Never let him suspect that you are laughing at him, or that you think him anything but an honorable and capable man. Keep your letter cheerful, but don't overindulge in comedy. (The funniest thing you ever heard may not amuse him.) Your manners are good, Jake, and you have 'personality'—get all that into your letters even at the risk of laying it on too thick. If it's too thin, your letters will seem to be cold—even impolite.

"If you follow all this sage advice, my young friend," said the Scribe with mock solemnity, "your skill in letter writing will materially aid you to get what you go after." So saying, he took another large and expensive cigar from his friend's pocket.

Rodman Fielder

Editor.



INSURANCE IN INDUSTRY

A steel plant. What of it!

Is it just a gigantic mass of furnaces belching white hot flame? Is it a deafening roar timed by pounding hammers—or is it the heartbeat of industry.

Think of steel in its applied states; Automobiles, railroads, ships and manufacturing machinery; bridges, skyscrapers and office desks.

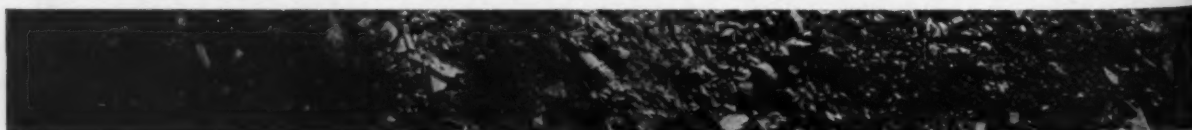
Steel makes these modern achievements possible. It is a basic industry.

What has all this to do with insurance? Simply that Insurance follows the ingot through. Its influence is felt in organization, in credit, in maintenance, in expense and profit. It is the stabilizing force of industry working twenty-four hours a day, year in and year out.

This is an advertisement by The Home Insurance Company of New York presenting a suggestion of the place which Fire Insurance takes as a vital factor of the nation's development.

THE HOME INSURANCE COMPANY NEW YORK

CHARLES L. TYNER, President



When writing to advertisers, please mention the Credit Monthly

CREDIT

MONTHLY

Vol. XXIX

SEPTEMBER, 1927

No. 9

The Chain Store Cannot Destroy Well Managed Local Store

By J. H. Tregoe

Executive Manager, National Association of Credit Men

It is estimated that sales of chain stores,—including groceries, ten-cent, drugs, tobacco, shoes, variety, and candy chain stores,—will be greater for the year 1927 than for the year 1926. The Federal Reserve figures for 1926 showed an increase over 1925, which year showed an increase over 1924.

FROM Daniel Shay's rebellion, 1786-7, to the present time, the history of the United States records a constant conflict between those who haven't and those who have. At present this conflict is visibly represented in the contest for existence between the small business unit and the large organization.

We cannot study the rise of the chain store in our Nation's business economy, without recognizing the defensive attitude in which this colossus has placed the old-time merchant. Changes of a significant character have taken place in the distribution to consumers, because of the rapid rise of chain stores. Merchant upon merchant is being forced to the wall or to retire, because they have been unable to meet this new kind of competition.

I have contended all along that there is no mystery in the chain store and that it has brought out into the light of day the artless and ineffective manner in which so many retailers have conducted their business. Although in the old days, it was possible for indifferently run retail

stores to survive and make a living for their proprietors, under present day conditions it is impossible,

There is one thing about the chain store that makes me doubt its permanency along present lines, and this is the lack of community interest. The chain store as a rule has no concern with municipal enterprise, except to take money from the people by the attraction of underselling. There is a certain type of retail customer that is attracted by low prices and seldom considers any possible difference in real values. So it happens that the chain stores as a rule are increasing their distribution and apparently doing well, while many individual retail stores are going under and retiring from the field.

Reverting to the matter of community interest, suppose there is under way such a project as a community chest. The local merchants are expected to contribute and would be woefully condemned if they declined to do so. The chain store will rarely contribute to such community projects. Furthermore, the local merchant will keep his funds within the community, while the chain store will send the proceeds of its sales out of the community.

It was to be expected that the customary course would be resorted to in this situation. Any group or class powerful enough and vocal enough to protect itself usually seeks protection in legislation. This is the chosen course, according to our history,

in such situations. I firmly believe, and have often stated, however, that the properly trained retail merchant can successfully compete with the best organized and best managed chain store in existence, without the aid of any new legislation.

In the last Maryland Assembly, an act was passed in behalf of one of the counties of the state, which prohibits, on criminal penalty for violation, any corporation or enterprise from operating more than a limited number of stores within the borders of the county. This legislative action is extremely interesting; and it is naturally attracting attention in other States where the pressure of the chain store is making so many difficult distribution problems.

I strongly favor decentralization. I believe in the community merchant as a community asset. But although I have this conviction, I recognize that the retail merchandising field has been greatly overdone,—that training in retail merchandising has been sorely neglected,—and that we are now reaping a harvest of weeds from the tares sown in days when merchandising was easy and there seemed no urgent need for training people for the distribution field.

We should not worry over the chain store. If we keep our heads and play our proper parts, the issue will be met satisfactorily and without too much consolidation of distribution power in the hands of a few large corporations.

Tide Water's Credit Manual

A Remarkable Credit Department Document

By Jay Swift

LAST month the CREDIT MONTHLY printed a chart of the credit organization of the Tide Water Oil Company and Subsidiary Companies, of which K. R. Hankinson is the General Credit Manager. The chart, with the description of the duties of all positions which accompanied it, is of special interest to credit executives, especially those who are planning reorganization or enlargements of their departments.

Mr. Hankinson, an active member of the New York Credit Men's Association, and, in 1925-26, chairman of the National Association's Petroleum Trade Group, believes thoroughly in the application of sound general principles to credit management, as well as in a high standard of mechanical and routine efficiency for the Credit Department.

Tide Water Oil Company is the

parent organization operating the refinery at Bayonne, N. J., its products being distributed generally all over the world. The Tide Water Oil Sales Corporation represents the domestic selling organization, marketing direct to the dealer and through distributors, Veedol lubricants throughout the United States and Tydol gasoline along the Eastern Seaboard from Maryland to Maine. Both companies have a highly organized and smoothly working credit department, but it is the Sales Corporation which presents the more complicated and interesting problems.

The final disposition of receivables arising from 1926 sales of the Tide Water Oil Sales Corporation will reflect the maximum loss of 1/10 of 1 per cent. on total volume including cash sales for that calendar year; the cost of operating the Credit Department was 4/10 of 1 per cent.

(.4%). Bad debts loss is not regarded as being too low on the basis of close analysis of business declined for credit reasons or lost through enforcement of C. O. D. rulings.

No company could work out its credit policies and practice in as great detail if its credit manager were not given full scope to establish credit principles and work out minute details in every phase of the credit department work. The Credit Department District Manual, of the Tide Water Oil Sales Corporation represents the practical experience and the best opinion of the entire credit staff.

This manual, consisting of about 82 mimeographed pages, with thirty-three forms, available to everyone in the Credit Department, serves as a guide for the district credit departments scattered throughout the country; and not only does it treat the credit policies of the company in great detail, and exhaustively describe its practice, but it deals with the theory of credit as well.

To attempt to summarize this remarkable document would be impracticable. We therefore present excerpts from the Manual, both to show the nature of the handbook and for the information contained.

Basis of Judgment

The basis of judgment on a credit risk is dealt with as follows under the heading "Credit Risk—Basis of Judgment":

In the granting of Credit, rule of thumb methods and anything tending to make judgment of any given risk mechanical must not be followed.

A given risk should be viewed from the following five standpoints, at first separately, and then collectively:

CHARACTER as determined by life and practices of individuals occupying position of responsibility. Antecedent business history as disclosed in agency reports is of value in this connection.

CAPABILITY of these same individuals in the fulfillment of their responsibilities, and to show collectively a continuing profit, or in other

2171

Report Collection Effort

Customer:

Address:

Amount Owning \$..... Date of my call.....

1. Check enclosed for \$.....

2. Balance will be paid.....

3. Promised to pay on.....

4. Payment refused - Reason

5. Date of my next report.....

NOTE: Cash received should be sent to Division or District office by Money order.

REMARKS

.....
Salesman

FORM 2171. SALESMAN'S REPORT OF COLLECTION EFFORT, TIDE WATER OIL CO.

(Actual size 8½ x 5½ in.)

words Business Stability. To be judged in the light of past and present performance.

CAPITAL as disclosed by intelligent analysis of a late financial statement, of necessity one signed and where possible direct from the individual, firm, or corporation.

LEDGER EXPERIENCE with others as well as ourselves. Generally indicative of sufficiency or insufficiency of working capital, but there are exceptions where working capital is not lacking, and procrastination, intentional or otherwise, governs the payment of merchandise obligations.

CREDIT POLICY due to various products merchandised, and country-wide distribution under various methods and terms of sale—policy, as outlined, applies generally to all products.

Thoroughness in making a credit investigation, and thoroughness and good judgment in considering information thus obtained, are essential. Many pass intelligently upon Character, known as the moral risk, and a

less number upon Capability or Business Stability, but only a few upon Capital, requiring as it does an accurate analysis of the balance sheet, elimination of intangible assets, ascertainment of any disproportionate items, etc.

That past experience may prove of benefit, charges to bad debts are carefully analyzed to determine responsibility, cause, effect and remedy. To date, such analysis discloses a majority, both in number and amount, where there was not sufficient Business Stability, if any, to justify credit granted. Some had character, others simply Capital, and many both Character and Capital, but all lacked Business Stability."

The Manual then points out that character and capability may justify credit even though capital may be insufficient, and conversely that sufficient capital without either capability or character does not justify the granting of credit. The Manual continues:

Judgment of any given risk, either favorable or unfavorable, must be

supported by data in the credit file. While no one is infallible, it is expected that errors in judgment occurring should be carefully analyzed, thereby making possible avoidance of repetitions, which will not be tolerated.

It is absolutely necessary to establish a credit limit on every account promptly, which should be revised from time to time as occasion requires. Obviously, should there be sufficient information to justify the extension of credit, there can be no possible excuse for not establishing a credit limit there.

It is worth noting that besides requiring information from the customer on the more general types of insurance carried, such as merchandise, buildings, fixtures, etc., the company includes queries as to the amount of employers' liability and of life insurance for the benefit of the business which are carried. Furthermore, a general question is added as to the insurance companies with which the policies are placed.

(Continued on page 10)

1018-D

SALESMAN'S REPORT ON NEW CUSTOMER.

Name (Corporation ()
 (Partnership ()
 Address (Proprietorship ()

Officers, Partners or Proprietor:

Credit Desired: Gas: \$ Terms:

Oil: \$ Terms:

Wherever amount of credit involves \$500.00 or more, irrespective of terms requested, property statement, supply of which you already have, should be properly filled out and signed by the customer and accompany this report.

Banks with:

Now buying from: (Include names obtained through observation or furnished on request.)

Name

Address

.....

.....

ANY IMPRESSIONS OF VALUE, INCLUDING YOUR PERSONAL RECOMMENDATIONS:

.....

.....

.....

.....

Did you arrange for shipment of initial order on C.O.D. basis,

pending credit investigation, so as to avoid unnecessary delay?

Date Signed

Salesman.

Initial contract, agreement or order will not be considered unless accompanied by this report properly filled out.

FORM 2180. SALESMAN'S REPORT ON NEW CUSTOMER, TIDE WATER OIL CO.

(Actual size 8½ x 5½ in.)

Revision of Files

The subject of revision is thus treated:

REVISION PROCEDURE —

Failure to promptly and intelligently revise, periodically, credit information, is a dangerous and many times, costly practice. When accounts do not aggregate more than \$500, revision is necessary, on an average, only once in every twenty-four months, but where amounts are greater, complete and thorough investigation should be made every twelve months, or in special cases, every six or eight months, depending on circumstances.

An automatic and, at the same time, accurate and effective follow-up, is here given:

Arrange for a supply of white cards 5 x 3; a set of 12 index cards corresponding with the calendar months, January, February, etc.; a daily index of 31 cards to correspond with the daily calendar; and a suitable container of the same dimensions, preferably a small wooden box.

Upon completion of revision of a given file, a white card should be prepared with the designated name of the account, location, by town or city, and the date. This card should be filed under the month during which the next revision would be necessary. For example, assume that revision of file was completed on January 1st, and that the next revision is to be made in September, the card would be filed under "September."

At the beginning of each month, the cards filed for revision during that month should be brought forward to the front of the box, and distributed evenly over the 31 days, so to avoid as much as possible the burdensome task of too many revisions in one day. For example, if you had on hand at the first of the month, sixty revisions, it would obviously be more satisfactory to spread the cards over the 30 or 31 periods, bringing the average daily revision down to two.

As the revision of each account is completed, the card for the account is placed back in the monthly files under the month elected for the next revision.

ESTABLISHMENT OF CREDIT LIMITS ON ACCOUNTS REVISED—In the establishment of credit limits on accounts revised, consideration must of

course be given customer's record of performance within our own organization. Request is made therefore that a rubber stamp, imprint of which follows, be provided and used for the purpose.

Date
Sold Since
Terms
Maximum credit extended....
Total amount now owing
Amount past due
Number of days
Manner of payment

In other words, prior to the establishment of a limit on accounts revised, and immediately following completion of outside enquiries, an imprint of this stamp should be made on a piece of scrap paper, necessary information sought from the ledgers, and attached to the file. This will not only enable more intelligent consideration and analysis of the risk involved, but will likewise serve, at some later date, if properly pinned to the inside cover of the folder, as a medium for necessary telephonic and other verbal enquiries, without reference to the ledgers.

Guaranty Form

The Guaranty form is explained as follows:

The purpose for which this instrument (Guaranty Form 2327B) was originated is obvious, and it is absolutely essential that a great deal of care be exercised in its execution, especially so far as the amount involved, date, witness and signature are concerned, lest some complication arise should suit be brought to enforce payment, thereby making the litigation costly and the ultimate outcome doubtful.

It is also important that guarantor be notified by registered mail of the receipt of the instrument by us.

Wherever and whenever possible, the individual or individuals guaranteeing the account should be requested to indicate on the reverse side of the form property holdings, if any, and equities therein. For the purpose the following imprint is suggested:

I am the owner of property located at 66 ——— Street, in the city of ——— State of ——— Lot No. ——— Block No. ——— Valued at \$— Mortgaged for \$—

In cases of partnership, endeavor should be made to secure, if possible, individual guarantees of respective members of the firm for under Article F—Section 5 of the Bankruptcy Law:

The net proceeds of the individual assets of each partner is appropriated to the payment of his individual debts before any appropriation to the payment of the partnership debts.

Personal guaranty constitutes personal or individual liability, and should there be insufficient assets to fully and satisfactorily liquidate debts of the firm, protection is afforded the Company on such guaranty.

Individual guarantees from employees of the corporation must not be accepted under any conditions.

Guaranty must not be deposited in credit file, but rather retained in the office safe, preferably in a metal strong-box provided for the purpose.

Necessity for revising periodically, credit information on guarantors, should be obvious. This should be undertaken every 12 months.

Alterations of any kind on the guaranty are not acceptable. Where change in signature, amount, date, etc., becomes necessary, new instruments must be executed.

Salesmen's Credit Duties

Salesmen must make certain that complete information regarding the new account in question is given, as such information will facilitate matters for the Credit Manager in the conduct of the initial investigation and, subsequently, in the establishment of prompt decision. If information thus submitted, is incomplete, Credit Manager will compile *Incomplete New Account Questionnaire Form 2180* reproduced on page 9 and forward same to the salesman with instructions for complete data.

Copies of all collection correspondence originating within the Credit Department must be furnished the salesman together with blank *Collection Effort Report Form 2171* reproduced on page 8. Hereon the salesman must record the result of their collection efforts, forwarding it to the District Manager's Office.

Hobbies of Credit Managers

Avocations Proving That Credit Managers Are Human

By Jos. K. Drake

"I HAVE spent \$290 in the last 15 years on my stamp collection," remarked the Vice-President, "and I was offered \$900 for it this week."

"How sordid!" exclaimed the Credit Manager. "The ideal collection is like the one my nine-year old nephew is making. He collects book matches—these little books of paper matches that cigar dealers and many other people give away. He will never be able to sell *that* collection! I knew one first-class electrical expert who collected various types of paper clips and had his collection in his desk where he could gloat over it when he wanted to rest his overstrained nerves.

"We all believe in the value of fads and hobbies," he continued, "but I contend that the hobby which cannot possibly show you a cash profit is better than one where you have a lurking hope of being able to make money. The leading surgeon in my native city knows more about birds than most ornithologists, but he would have a hard time cashing in on his hobby. He must have spent a lot of money on books, taxidermists' supplies and shoe leather in the last 50 years.

"Psychologists and educators recognize the great importance of all kinds of hobbies and collections for children and grown-ups, and especially for busy business men. They divide hobbies into three classes: Avocations like sketching and modelling in clay which *create* objects; side interests which lead to the *acquiring of knowledge*—for instance, the study of the military campaigns

of George Washington; and hobbies like collections of stamps or etchings or ship-models or antique furniture, which are based chiefly on the *acquiring of things*. And although they admit that these classifications overlap each other considerably, they think better of the ones that cannot possibly show a net profit to the rider of the hobby."

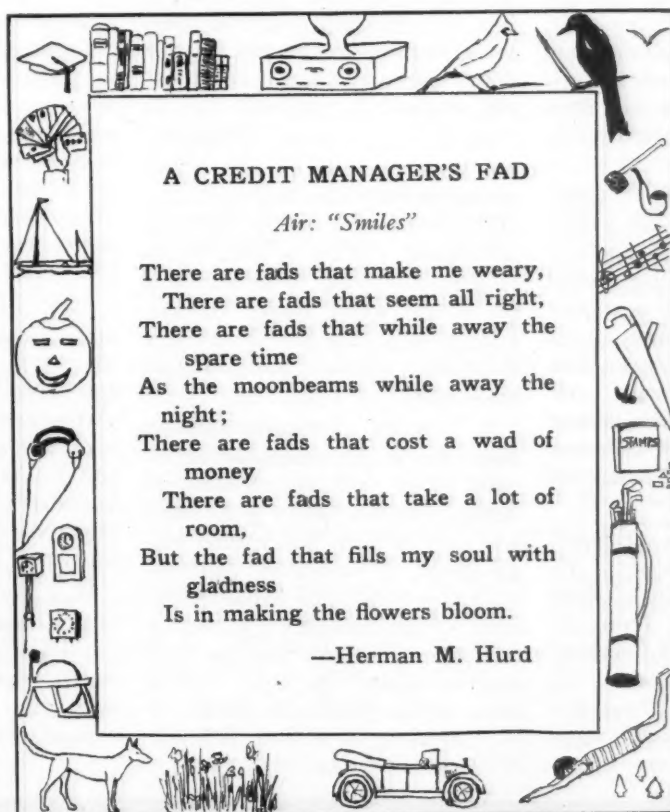
"Don't worry over my having the wrong attitude towards my hobby,"

Manager is a hard-boiled individual with little humanity in his make-up and a piece of flint where his heart ought to be. In order to throw light on this fallacy, the CREDIT MONTHLY inquired of officers and directors of the National Association of Credit Men as to the fads and hobbies, if any, upon which they concentrate from time to time in order to take their minds off their exacting tasks.

President George J. Gruen of the Association, Treasurer of the Gruen Watch Manufacturing Company, Cincinnati, is a collector of postage stamps. His annual trips to Switzerland, where some of the Gruen factories are located, facilitate the pursuit of this hobby. If he were a collector of clocks and watches, his hobby would not be of much use to Mr. Gruen as a diversion. This particular hobby has proved, however, a highly satisfactory one for Edgar L. Ide of the Kellaway-Ide Co., printers and bookbinders, of Los Angeles, who has made a collection of clocks of various designs and sizes and has one that was made over 150 years ago and still keeps good time. Mr. Ide says:

"A few years ago I found that my collection of clocks was taking too much of my valuable time to keep them all running alike and that it was difficult to know which clock to go by."

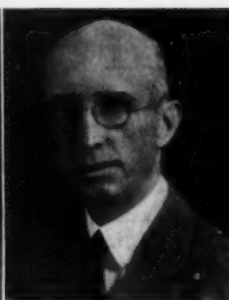
Ernest I. Kilcup of the Davol Rubber Co., Providence, has recently given a thorough education to an adolescent police dog and is also an amateur gardener. In the Winter he lectures on Credits at the University. "I cannot think of anything," he



the Vice President replied. "The fun I get out of my stamp collection has little to do with its present value. I would be just as much interested if the market had gone off, and the collections were not worth a dollar—no matter what the psychologists and credit managers have to say on the subject!"

THERE is a popular notion—which, like many a popular notion, is incorrect—that the Credit

Bohrbach

GEO. J. GRUEN
CincinnatiF. B. ATWOOD,
MinneapolisJOHN T. BROWN, JR.
PhiladelphiaH. C. BURKE, JR.
Fort WorthHERBERT E. CHOATE
Atlanta

says, "which is more humanizing than to teach a class of men who are already at work and who are spending much time and money to acquire a theoretical training which will enable them to rise to better positions. It gives you a mighty warm feeling around the heart when you have evidences from time to time that these chaps are really getting some help from their studies."

George J. Clautice of Lyon, Conklin & Co., Baltimore, after a boyhood apprenticeship in photography and postage-stamp collecting, settled down to educational work as an avocation. In spite of his many duties he finds time to conduct a credit class at Johns Hopkins University. He says "It is a great inspiration to meet with young men who are ambitious and to offer them some means toward success."

The game of bridge is mentioned as one of the diversions of L. W. Young, the Stanley Works, New Britain, Conn., and of Irving F. Hoyt, the Eastman Kodak Company, Rochester.

John T. Brown, Jr., of the Hajo Corporation, Philadelphia, says

he has no fads "unless sneaking away for a few days' cruise—not motor-boating—can be called a fad. I know nothing like it for healthful enjoyment provided your companions are congenial, and mine are—for to one who enjoys that kind of thing, others who like it are naturally congenial."

W. C. Hanson of E. G. Schafer Co., Washington, D. C., says: "Regarding my particular fad, would say, other than golf I do not believe I can register. So far as doing things to keep me young, I am afraid I am on the wrong track. Anyway I try to keep in a good humor and those about me have said that that helps some."

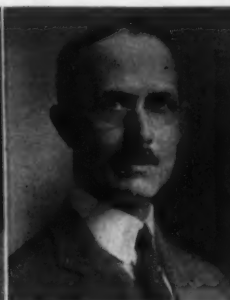
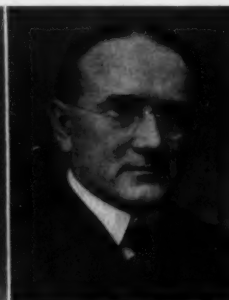
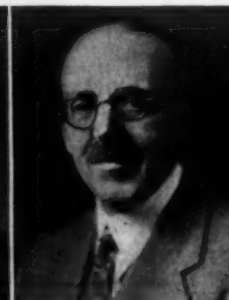
H. C. Burke, Continental National Bank, Ft. Worth, confesses his interest in the mechanics of radio reception. He has built a great many sets, ranging from peanut tube, single circuit, to complicated regenerative and reflexed radio frequency circuits. "I am constantly a student of the progress of radio from the technical standpoint," he says. "There seems to be a remarkable amount of satisfaction, to me at least, in bring-

ing in stations on the loud speaker some 1,500 or 2,000 miles away with a set that I built myself. I used to be more of a 'fisher' on my radio than I am now—always trying to locate as many stations as I could in a single night. Now I am more content to listen to worth while programs whenever I find one of that character on the air. I find it very interesting to add improvements to my set as they are developed in the industry and appeal to me as worth adding—such as power tubes, battery eliminators, and so forth."

"My principal hobby is work," says Charles H. Merrill of Holbrook, Merrill & Stetson, San Francisco. But he doesn't keep his nose always to the grindstone because he rides horseback, goes fishing, tinkers with odd jobs around his country place and is active in the Menlo Park Fire Department, "one of the best in the world for its size and shape."

W. E. Tarlton, of the Central Shoe Co., St. Louis, doesn't claim to have a real hobby but admits that he gets mental relaxation out of bridge and radio.

Herman M. Hurd, Republic Iron

H. H. HEIMANN
NilesI. F. HOYT
RochesterH. M. HURD
YoungstownE. L. IDE
Los AngelesJ. D. KAREL
Grand Rapids

Bachrach

H. & E.



GEO. J. CLAUTICE
Baltimore



I. B. DAVIES
Delavan, Wis.



WM. FRASER
New York



GEO. GRUNDMANN
New Orleans



W. C. HANSON
Washington

& Steel Co., Youngstown, has been collecting books and raising flowers all his life, and sends the CREDIT MONTHLY the verses printed here-with for which he apologizes to the author of "Smiles."

William Fraser of J. P. Stevens & Co., New York, reads history, Dickens, Dumas, and Scott, and is an enthusiastic motorist.

George Grundmann of Albert Mackie Co., New Orleans, is Vice President of City Park and Chairman of the Grounds Committee. He has taken a personal interest in the development of the Park, and has been instrumental in securing for it better golf links, better tennis courts and better baseball grounds, and was a pioneer in securing children's playgrounds and one of the finest swimming-pools in the South.

J. D. Karel, Michigan Chair Company, Grand Rapids, says: "I was born on a farm and lived there until I was twenty. There was plenty of work to do on the farm to keep us from having fads or hobbies. The only hobbies I had were the collection of arrow-heads, and work!"

Directors Hoyt and Karel, and also Director F. S. Walden (Strevell-Paterson Hardware Co., Salt Lake City), are among the large number who follow the game of golf.

The thing that most deeply engrosses the attention of I. B. Davies of Bradley Knitting Co., Delavan, Wis., according to his own statement, "outside of my business and religion, is music. I have been a 'hick' chorister for a good many years, and Sherlock Holmes would probably locate me at the concerts of the Chicago Symphony Orchestra or the Philadelphia orchestra, if I were A.W.O.L.

"In view of the suggestion that the credit manager is oft regarded as cold and inhuman, I probably ought to add in rebuttal that I am on the board of directors of several religious organizations, and in the last analysis I think I have a deeper interest in religion than in credit, if indeed they cannot be brought into the same category."

One who knows Mr. Davies well, in discussing his chief hobby says: "Mr. Davies is a song leader in every group and has the faculty of getting more or less vocal effort out of the dumbest in any crowd."

F. B. Atwood of Forman, Ford & Co., Minneapolis, says "I am a piano-maker by trade. I worked at the bench for several years. Cabinet work is my fad."

The hobbies of H. H. Heimann of

the Kawneer Co., Niles, Mich., include reading, writing, and the collecting of pipes "none of which I smoke out in public," he says. "In novels I stick rather closely to those that bear on some interesting phase of present day life. I like a love story if it has sufficient background to add historical interest.

"I think most of my reading is in technical work and along trade lines. My wife says I am extravagant in this, because this is the way I proceed to read a book on economics, for example: I buy a perfectly good book and the first thing I do is tear off and throw away the cover. The next thing I do is tear it apart, ten pages to a section or a chapter to a section if the chapters are not too long. I carry one of these sections in my pocket. Some books it takes me half a year to finish. If there is anything particularly good I will break it down and get the gist of what is said in a few short crisp paragraphs."

Herbert E. Choate of the Choate Investment Company, Atlanta, has a deep interest in birds, trees, and flowers. "We have either in our yard or the wooded park just opposite our home," he says, "during the course of a year, 132 varieties of birds, most of them migratory, whose

(Continued on page 35)



E. I. KILCUP
Providence



CHAS. H. MERRILL
San Francisco



W. E. TARLTON
St. Louis



F. S. WALDEN
Salt Lake City



L. W. YOUNG
New Britain, Conn.



The Credoscope

J. H. Tregoe

Mental Hazards

I REMEMBER well the disastrous effects when learning to ride a bicycle of what we called "the mental hazard." I was sure to hit a post or some object when fearful of my ability to avoid it. By the same token, the effect of the mental hazard usually lands my golf ball into a sandpit, when a reasonable mashie shot would have sent it clear over this pitfall.

There is a mental hazard in credits, and it is good philosophy to avoid it. The continual fear of something just around the corner that is going to change the atmosphere of our business and our prosperity should be avoided. Not that I would sanction the neglect of any positive signs of danger in the business firmament—but too frequently these mental hazards are merely psychical and they fade away in thin air.

But what we must do in our present situation—with its complexities and its milling processes that are enough to cause fear in those inclined to be timid—is to follow good rules of practice and to believe that by doing the right thing and living the right way we can either avoid pitfalls, or largely minimize them.

Take the construction field as an illustration: Undoubtedly, the rapidity of rise in this field and its wide activity presaged a disastrous termination some time, and here and there throughout this field many losses have occurred through credit contracts that were not liquidated. However, we find in the construction field that credits for purely speculative operations have tightened; but plenty of credit is available for legitimate and meritorious operations. There was a mental hazard in this situation that might have had a serious effect, but good credit sense was in control and we have avoided anything like a general disaster.

A commentator on credit practices recently stated that the "resistance of the credit machinery is going to be tested soon beyond all possible doubt." I can't agree with this gentleman because, right along, our credit machinery has been undergoing very severe tests, and because of a splendid credit technique and the stabilizing influences of the Federal Reserve System, things have been kept in a wholesome condition. There has been no suffering from the mental hazard.

The homely advice, Be sensible! is the best advice I can give at the present juncture of business. This means not only recognizing the right thing to do, but doing it fearlessly and without favor. Our credit machinery has had a large burden resting upon it for years. There will be no change so far as I can see in this situation for years to come. But if we elevate and keep in a high place the judicious making of credits and their faithful observance, our credit machinery will stand the test and will dissolve the mental hazards that might otherwise cause disasters.

Out of Accord With the Times

IN the tempestuous currents of modern commerce, the little hinges upon which its doors swing in and out too often pass unrecognized, and yet without them there would be a breaking down.

The freedom of credit interchange brought about in this country by the persistent efforts largely of the National Association of Credit Men has been one of the important hinges upon which our commerce swings. There is nothing I can put my finger on that has performed a better service for the expansion of our industries and their safe financing.

Co-operation is the metal out of which this hinge is made, and we do not find, in other industrial nations, anything like the degree of co-operation and the credit interchange that have proved such tremendous factors in our Nation's business.

Recently the Foreign Credit Department of the N. A. C. M. wrote a London banking house—not, I am happy to say, one of the larger financial institutions of Great Britain—for information on a foreign buyer. This banking firm responded to the inquiry with a very curt declination and closed the letter with this statement:—

"We take this opportunity of reminding you of debts long owing by certain of the States to this country and to France, and which are repudiated by the United States Government; and if your Association stands pre-eminently as an uncompromising advocate of high standards of honor, fairness, ethics, justice and morality as you state, you should certainly use your influence to settle these just claims as Great Britain is settling her debt to the United States."

It is narrow and inaccurate sentiments, like this, if they prevailed generally that would keep any nation from making rapid progress in its commercial affairs. I was forced to brand the statement as a lie. The "debts" probably alluded to were bonds issued without the cognizance or the guarantee of our Government; they were repudiated by the States issuing them, on legal grounds; and with this action our Government had nothing whatsoever to do, nor with it could our Government interfere.

The Hamiltonian standard of strict payment of debts has been maintained faithfully by our Government through thick and thin. Furthermore, Great Britain's financial insti-

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tutions must learn the lesson of international credit co-operation, as the finest business conservator of peace and progress within the power of man. The loss now being contended with by British industries and the present problems of British finance are largely due to that lack of co-operative interchange which has wrought such wonders in the industrial and financial progress of our Nation.

If this is so, then due appreciation must be rendered at least by our own business men to that principle established in our commerce, Interchange, which has carried us so far along the commercial highway; and we must preserve good faith with extreme care in the relation of our business and financial units when appraisals of credit risks are being made

Praise for Our Federal Reserve System

THE rise of American business has never been along the avenue of uniform thought and uniform effort. There has always been within the Nation a clashing of interests, a difference in economic views; and on no subject were there more diversities of thought and emphasis of expression as on a national banking and currency system after the panic of 1837.

After being buffeted about from pillar to post for a quarter of a century, the National Bank Act was evolved, more for assistance to the government in a severe crisis than as a really scientific and banking currency system. The ineffectiveness of the National Bank Act, because of its inflexibility and lack of control of reserves, kept business in more or less an uncertain state, and there gradually dawned upon forward looking thinkers that the rise of our business, without high peaks and deep valleys and uncertainties that always provoked fears and turmoils, required a stabilizing banking and currency system that would furnish the capstone of our credit technique. This idea eventually brought about our Federal Reserve System, and those responsible for it wrought better than they knew.

The National Association of Credit Men has striven with all its might to deepen the interest of the people as a whole in the Federal Reserve System. Withal, there are still di-

versities of opinion, especially among the classes whom we might term the "fatalists" in industry and who seldom look beyond existing conditions.

From across the seas there comes a note of appreciation for our Federal Reserve System that we commend to the careful thought of our entire public. Great Britain's banker-statesman, the Honorable Reginald McKenna, contends that the banking system of Great Britain should be reformed and that a study should be made of the Federal Reserve System to see if it can be adapted to the needs of the British people. Mr. McKenna in his statement mentioned seventeen countries, which in the post-war years have changed their banking systems—and not one of them copied the British system. All of these countries adopted central banking systems, more or less patterned after our Federal Reserve System.

He seeks the appointment of a commission similar to the commission appointed by your Congress in 1908 known as the Aldrich-Vreeland Commission. He contends there is more elasticity in the American system than there is in the British system. He believes the American system would be better in a crisis.

We regard Mr. McKenna's statement as a forward look of one of Great Britain's outstanding banker-statesmen. He does not indulge idle words nor idle sentiments. He is practical from tip to toe. As the head of the Midland Bank, one of Great Britain's largest and most important banking institutions, he commands with his words and ideas attention and respect.

Only to the most thoughtful observer can the stability and control of credits offered by our Federal Reserve System be fully discovered. The high peaks and the deep valleys studied and talked about so long as the business cycle have been brought largely to a level, and at the present time our credit technique, with this great power in control, is helping to maintain a wholesome business when under former conditions there would undoubtedly have occurred one of the deep valleys of the business cycle.

Let us be proud of what we possess—proud to the point of caring properly for what we possess and seeing that it is wisely used and governed with scrupulous care.

Possibilities in Joint Effort

IN reviewing what the activities of the National Association of Credit Men have accomplished in the brief period of two years, there does not come any feeling of glory, but deep gratification that business through the conviction and generous assistance of a small fraction of its units has received a protection against crime to an extent, and of a character, that makes an entirely new chapter in the history of our commerce.

In one of the leading newspapers in Richmond, Va., there appeared on July 15 an editorial under the caption "They Have Made It Hard On Credit Crooks." The editorial opened with this breezy statement: "The Credit Protection Department of the National Association of Credit Men is making good with a bang." It closed with this: "No one is compelled any longer to let a dishonest bankruptcy 'slide' because the expense of an investigation on his own account would be too high."

The Department has its tentacles thrown out in every part of the country. It is Argus-eyed where commercial crime is concerned, and works relentlessly when on the trail of criminal offenders.

From the date of its organization until July 31 1553 cases were investigated, 277 convictions were obtained, 425 indictments were awaiting trial, and assets were recovered for creditors in the sum of \$580,470.27.

These figures are not mentioned boastfully, but to show what concentration of effort can accomplish. No instrument of private organization could have accomplished what the National Association of Credit Men has done in this period of 26 months. It serves to show what a cleaning up could be accomplished if the ferreting out and prosecution of commercial crime was centralized, if independent efforts in this field could be consolidated into one central mechanism.

I am sure an awakened interest on the part of prosecuting attorneys and of the Bench as to the serious effect on society of commercial crime as well as the effect on business, leads to a deep belief that a centralization of effort can accomplish a great deal more than a division of effort.

Causes of Business Failure

Some Are External and Some Internal

By Howard S. Sanders

Eastern Tablet Company, Albany, N. Y.

Chairman, Stationery, School and Office Equipment and Supplies (Mfgs. Div.) Trade Group, N. A. C. M.

THE causes of failures may be divided generally into two classes, the external and internal, the *outside causes* (such as competition, change in demand, specific conditions such as frauds, disaster, war, etc., and failures of others), and *inside causes* (such as incompetence and inexperience, lack of capital, unwise credits, neglect of business and frauds resulting in prosecution).

Outside Causes of Failure

Competition up to a certain point is stimulating. Beyond that it is exhausting. No doubt, competition is the life of trade, but it is often the death of the traders. When those in charge of a business think more about eliminating competition than they do about making profits through better production and selling plans, competition does become a menace.

Failure may be caused by honest competition or through unfair competition. In the case of honest competition, where it is found that it is humanly impossible to wring profits from a business there are only two ways open for the merchant. One is to combine with the competitors, or to liquidate and withdraw from the field.

In the case of unfair competition, which often involves graft in the obtaining of orders, or the substitution of inferior articles, education is about the only remedy. Trade associations are more and more being recognized by all concerned as a means of education. These trade associations should always be appealed to when such conditions exist.

Changes in Demand for Products

Often not enough attention is paid to demand, and as a result, there is an overstocking which ties up capital in inventory. For this reason there is nowadays an insistence upon the accumulation of reserves, to tide



HOWARD S. SANDERS

over a sudden decrease in demand.

As to the specific conditions, such as war, disaster, conflagrations, floods, etc., many of these can be provided against by insurance, which may now be purchased to cover a great variety of disasters. The modern Credit Manager is in a position to advise the merchant along these lines.

Failures of others are usually especially difficult for the merchant to anticipate. Like the concerns who are selling him, he must exercise caution and try to determine as accurately as possible whether or not there are enough assets to protect existing liabilities.

Inside Causes of Failure

Of the inside causes of failure, incompetence and inexperience (a form of incompetence) are probably responsible for a large percentage of our failures, if not the largest. The incompetent man is seldom capable of self-analysis.

How often have we found an individual or a group of individuals who have been successful as employees attempting to start a business

without appreciating that they lack executive ability, and proper training in the art of buying. Sometimes they also lack experience in office management, so that proper records are not kept. They forget that besides setting up the right machinery to make the records, it is necessary to have the ability to co-ordinate, read and interpret the records.

Failures are also caused by the lack of ability to survey properly the field which is to be entered. A new merchant in a field must for the most part make his sales among the customers of the merchants who are already in the field.

The new merchant frequently resorts to price cutting in order to become established and accelerate turnover. This leads to other unfair practices and, as a result, the new merchant, because of his incompetence and inexperience becomes a thorn in the flesh of better business, rather than a contributor of good business. Moreover, he is helped along the road to failure by some manufacturers, who regard this new merchant as an outlet for merchandise, when as a matter of fact, he may not add a dollar's worth of new business to the total. The Credit Manager who encourages such a merchant is *helping to cause rather than forestall a failure*.

Too many merchants attempt to go into business without first carefully estimating the amount of capital necessary. After tying up a great deal of money in equipment, often far too elaborate to be in keeping with the type and size of business, they are found to be short of working capital. The manufacturers and wholesalers are, accordingly, asked to help finance the business. This form of financing usually manifests itself in the slow pay account; and the lame excuse is made that "collections are bad." It is obvious that if working capital is insufficient,

(Continued on page 27)

A Protector of Capital

Casualty Insurance Benefits Both Insured and Creditor

By E. B. Gnahn

Asst. Credit Manager, Chittenden & Eastman Co., Burlington, Ia.

CASUALTY insurance is a comparatively new form which is being underwritten more extensively as its benefits are understood. That it is meeting a definite economic need is evidenced by the amount of premiums collected. In 1924, according to the Argus Casualty Chart, the aggregate net premium on liability insurance written by all the stock companies operating in the United States amounted to \$151,870,764; of this amount, \$107,102,417 represented premiums on automobile liability contracts other than automobile coverage. During the same period losses were paid on automobile liability amounting to \$49,572,357 and losses on other than automobile coverage of \$23,720,827.

When liability insurance was first written, it was restricted to the legal liability of the employer to his employee, but it was early discovered that the insured's liability was not limited to his employee and that with but slight alteration, the liability contract could be made to fit a larger variety of situations.

There are about 20 different forms of liability contract which may be grouped under four major classes.

(1) The Operative. Designed for manufacturing plants and public service operations.

(2) The Constructive. Covers the hazards incidental to the construction of buildings, etc., and is designed as contractor's liability. Quarrying and mining are also covered by policies of the constructive class.

(3) The Maintenance. Usually the hazards of this class are covered in two policy forms, the general liability policy and the theatre policy. The former covers office buildings, stores, buildings of a public or semi-public nature. The theatre form is of recent development. The elevator policy is usually included in this class.

(4) The Operation Maintenance.

(a) Covering the ownership, maintenance and use of any horse or vehicle for

The Unforeseen

"WHAT provision have you made to protect yourself and your creditors against unforeseen contingencies?" the credit manager asks a prosperous merchant debtor who is applying for an extension of his credit limit. The merchant debtor enumerates the various forms of insurance he carries,—on his own life, on his stock, fixtures and store,—but it is found that he has no insurance protection against public liability.

This article, which won the second prize of \$125 in the essay contest on "Casualty Insurance as a Basis for Credit", recently conducted by the CREDIT MONTHLY and the Casualty Information Clearing House, Chicago, tells the reasons why the merchant debtor should not overlook casualty insurance, if he desires complete protection for his business, and a credit standing that will enable him to secure the goods he needs.

purposes described in the policy.

- (b) Covering automobile operation including the garage.
- (c) Covering marine liability.

I shall not attempt to describe these various forms, but shall endeavor to point out why such insurance is a safeguard that the alert credit manager must depend upon in extending credit.

The Credit Manager must satisfy himself as to the presence of Character, Capacity and Capital before entering into any credit arrangement.

If credit is a transaction by which goods are transferred in exchange for an equivalent at a future time—then it is the duty of the credit man-

ager to be thoroughly acquainted with his collateral.

In order to bring out these various points more forcibly, I shall recite the case of a young business man from one of the larger Texas cities. We have been selling him for three years and observed with satisfaction the growth of his business which was made possible to a large degree by the confidence reposed in him by several wholesale houses, including my own. He pays us a yearly visit to arrange a line of credit covering his purchases for the year. The statement he presented to the Credit Manager this year is printed herewith.

At certain seasons our house has extended credit as high as \$5,000 which, of course, is not justified by the net worth of the business. However, we have an intimate knowledge of the debtor's affairs and further know that his antecedent history is excellent. He has demonstrated his capacity; and nearly 75 per cent. of his purchases are made from our house.

With this statement as a basis, he comes to us with the information that his business is growing so rapidly that it is essential that his line of credit be extended to \$7,500.

"I am satisfied, Mr. Blank," says the Credit Manager, "as to your honesty and business ability, but your capital is rather limited to warrant such a generous line of credit."

"I concede that," the merchant answers; "but on the other hand, I have in less than three years increased a capital investment of \$1,500 to \$8,500 and in addition have had my living expenses."

"That demonstrates your ability with which I am already satisfied," the Credit Manager says. "But you must not lose sight of the fact that your equity in the business is but 41 per cent. while your creditors are owners to the extent of 59 per cent."

"That is true, but you must remember that about 75 per cent. of my purchases are made from your

house and that there is no possibility of my being embarrassed by the claims of numerous small creditors, even in the event of unfavorable business conditions."

"It is only on this basis that I could extend to you such a liberal line of credit and such favorable terms as you now enjoy. What I want to know is, what provision have you made to protect your creditors against unforeseen contingencies?"

"I believe I can answer that satisfactorily," replies the merchant. "My stock is always insured against fire up to 90 per cent. of its value. My automobiles are insured against personal injury as well as property damage. I carry employees liability insurance and in addition carry a \$15,000 life insurance policy payable to my company in the event of my death."

"You have exercised very good business judgment in protecting yourself and your creditors in this manner," says the Credit Manager; "but have you not overlooked public liability insurance?"

"I have considered this at times, but it seems to me that this is a contingency so remote that I am not justified in burdening my business with this added expense."

"Accidents of this kind are not as infrequent as you might think," the Credit Manager warned. "Let me cite you the following cases which are actual happenings."

Actual Cases

(a) "A year or so ago in Chicago an explosion jarred loose an apartment house coping, which tumbled to the street and struck a mother and her two little daughters. One of the children was killed; the mother

and the other little girl were injured. A claim was made against the owner of the property; and the Insurance company carrying the public liability policy on the building settled for \$3,750 for the mother and \$1,875 each for the children—a total of \$7,500.

(b) "In a down town office building a woman was hurrying to catch an elevator and missed it. She turned hurriedly to catch another and in doing so, slipped and broke her hip. The floor was of tile and a trifle slippery, and she was able to prove negligence and collect damages.

(c) "A crippled old lady was hobbling along on crutches. In front of an office building the sidewalk contained an imbedded glass-covered manhole. One of the glasses was broken and she inadvertently put her crutch in the hole and fell. As a consequence, she crippled herself more than ever and was able to collect damages.

"It so happened that in each of these three cases the property owner carried public liability insurance; but most accidents of this kind occur on premises where the owner is without protection, and has to make good the damages out of his own pockets."

"The force of your illustrations is apparent to me, but would not the cost be excessive?" the merchant asks.

"Quite on the contrary! In your line of business the rate is five cents for every lineal foot of frontage and about the same for every square foot of floor space occupied."

"My business has a frontage of 40 feet and is 60 feet deep. Let me see—at that rate a policy would cost

me about \$14.00 a year."

"That would be approximately correct. Now in view of these illustrations and the nominal cost, don't you feel that it is only a fair proposition that our mutual interests be protected?"

"I certainly do, Mr. Credit Manager. I am convinced that it would be foolhardy not to insure myself against such contingencies. My present worth has come through denials and hard work, and I surely do not want to hazard it against contingencies over which I have no control."

"This is a form of insurance that I feel has been overlooked by many people principally because they do not understand its coverage and small cost," continues the Credit Manager. "Although it is true that an injured person must be able to prove negligence in order to collect damages, nevertheless, this is not as difficult as might be thought, because public sympathy is usually with the injured person. The cost of a year's premium is not nearly as much as it would cost to defend a suit, to say nothing of a judgment awarded to an injured person."

An Increased Line

"In analyzing the affairs of our customers, we scrutinize this item as carefully as we do that of fire insurance. There are enough factors in business that cannot be controlled without permitting those that can be provided against. Now, Mr. Blank, if you will agree to carry a 15-20 thousand dollar policy, I shall be glad to take care of you on an increased line of credit," the Credit Manager concluded.

"This increased line will be of great value to me in expanding my business, but even if you had refused it, I would have taken out a policy. I realize I can't afford to be without it."

Credit executives pass countless orders for merchants having a net worth of from \$5,000 to \$10,000. Naturally a business of such worth could not weather an unusual expense of attorney fees or a judgment of from \$2,000 to \$5,000, and possibly more. Yet such a contingency could easily have arisen from any of the following cases which have occurred in my community.

A merchant was about to close

(Continued on page 29)

THE STATEMENT PRESENTED TO THE CREDIT MANAGER

<i>Assets</i>		<i>Liabilities</i>	
Cash on hand	\$105.38	Owing to bank	\$2,000.00
Cash in bank	329.38	Accounts payable	6,603.18
Accounts Receivable..	8,832.61	Notes Payable	3,456.87
Mdse. Invty. (at cost)	10,099.00	Capital Stock	5,000.00
Auto Equipment	475.86	Surplus	3,500.00
Furniture & Fixtures	717.92		
	<hr/>		<hr/>
	\$20,560.05		\$20,560.05

Annual expense in relation to net sales, 18 per cent.

Bank loan is for one year and unsecured.

None of the receivables have been assigned.

Blessing or Trouble Maker?

Discussion Shows Majority Favoring Cash Discount

By Frank Stumpf

The Boss Manufacturing Co., New York

The Boss Manufacturing Co., with about 22 factories, makes a line of over 600 numbers of work gloves. The company's representatives are active in both the Cotton Glove Group and the Stationery, School and Office Equipment and Supplies Group of the National Association of Credit Men.

THE views and opinions on the cash discount of twenty-three representative manufacturers in the Stationery, School and Office Equipment and Supplies line were recently secured by means of a questionnaire. These may be summarized as follows:

Ten believe that the cash discount is an incentive to pay promptly.

Four believe it results in quicker turnover of accounts receivable.

Three claim necessity because of competitive terms.

Two consider it to be a barometer of credit standing.

Two consider it affords an incentive to borrow.

Two consider that it serves to penalize the buyer who cannot earn the discount and should therefore pay a higher price than those who are better off financially.

A few do not answer specifically, but contend that the question affords opportunity for further study. Both sides appear to have able arguments. Some, presumably from their experience, believe the cash discount to be a blessing while other views contend that it is a trouble-maker and a fallacy.

Those in Favor

Those who believe that the cash discount should be continued support their views with the following reasons:

1—Should not be eliminated because the expense of such a change might be appreciable.

2—Assures quick turnover of accounts receivable.

3—Speeds up collections.

4—Affords a reliable barometer of credit standing.

5—Incentive to pay promptly.

6—Difficulty of agreement among competitors in a movement toward eli-

mination and might develop confidential allowances.

7—Because many debtors borrow only seasonally to earn discounts who otherwise would not borrow.

8—The cash discount supplies the incentive to be careful in financing business and justly penalizes the poorly financed business with a higher price.

9—Some consider that the question of elimination arises out of the abuse of the cash discount and believe that permitted abuse affords no good reason to abolish the cash discount.

10—The cash discount creditor has a preference as against goods payable on net terms and this manufacturer is opposed to its elimination.

11—Another believes it possible, but improbable, because it affords an incentive to borrow and because through the elimination of the cash discount merchandise creditors would be increasingly the financial reservoirs of their customers.

12—Still another contends that the cash discount should be retained because credit is too cheap and there is too much competition in sales terms.

13—The cash discount saves borrowing by the creditors.

14—Prevents pyramiding of credits and tends to promote thrift.

Opposing Cash Discount

Those opposed to the cash discount and inclined to support its general elimination, support their belief with the following explanations and reasons:

1—Some trades have successfully eliminated the cash discount.

2—Their own example of net terms is cited to prove that the cash discount simply increases cost for which there is no sound reason.

3—Wrong in principle because one cannot foresee whether discount will be taken.

4—Cash discount is a false expense.

5—Leads to abuses and constant bickerings.

6—Elimination would save clerical work and expense of fighting abusers.

7—Cash discount misused often as a medium of adjustment of claims due to transit delays and of quality complaints which are often false.

8—Elimination would result in general uniformity.

9—The cash discount makes necessary an immediate indeterminable depreciation in accounts receivable on a balance sheet.

The consensus of opinion is in favor of the cash discount or American Credit System, although it must

be said that the favorable replies received indicate that little study of the subject has been made and a number indicate that reports have been made in a convenient offhand way favorable to own methods. The replies of those favoring elimination of the cash discount indicate greater thought on the subject as well as some effort to consider the question from the economic viewpoint.

In an introductory way, let me say that there is involved here a question that requires a great deal of research and study as well as rightful consideration of both sides to the question, more so than it has been possible for me to devote and give to it up to this time. I did not realize that fully until recently.

Any question such as this should be considered first from the most simple economic viewpoint. The primary question to be answered should be, *Is the cash discount profitable to business?* because profit is the underlying reason for business. Let us suppose the question can be answered affirmatively, then it should be determined whether it is subject to as much profit as could be possible, or whether profit is in spite of loss. If the cash discount is representative of the better of the two world credit systems then it will, like Tennyson's brook, "go on forever," and if not, it won't.

Those of you who have had contact with business as it is conducted abroad, have observed chiefly several differences from our own methods. One, that the cash discount is not used, another, that businesses abroad can and do operate on much smaller capital structures by employing their banking connections to a larger extent in their business. Some of the reasons given in part one appear to show this lack of knowledge. The system under which they operate is called by authorities, the World System, or one-price system, as opposed to the two-price American system. In the World plan, in principle, the credit term is based on the premise

that the term of credit should be a fair measure of time within which redistribution can be effected. Naturally the price will include as cost, the value of the investment in interest. In this World system of commercial credit it has come to my notice that in cases where the credit term does not fit a particular case, that prices are left unchanged but that an interest adjustment may be made where the longer credit term is agreed upon. Those who come into contact with competitive customs of other nations have heard of 6 to 9 months credit being extended subject to interest adjustment from a certain date (according to ordinary credit term) to date of payment chosen.

The American credit system, insofar as the employment of the cash discount is concerned, adds as cost the rate of the discount in addition to charging as such the cost of capital and in this practice has established a "two-price" system, because the discounter gets his purchase at a lower cost than the buyer who does not discount.

The American, or two-price system, according to authorities and as is generally known, did not exist in fact prior to the Civil War, but originated shortly after. It developed quickly as a result of disrupted credit conditions and during a need for cash trading in a period when even the Government's credit was doubtful, and expressed a cash system of selling as against a credit system. It was not the result of ripe deliberations of representative business men or business associations, but came into being as an expedient. Many students of credit as well as many merchants have found this system to be the cause of most of the disputes with their customers because of its abuse. The majority nevertheless continue it because it has become ingrained as a custom to which they conform. A number, however, including a few entire industries, have returned to a net price system, convinced that the cash discount system is false.

Here I want to interrupt to remark that the business establishment that I represent does not use the cash discount in the sale of its product. Naturally we have to answer frequent requests for discount terms and give reasons why it is not available. One of the most successful

arguments, that we have been able to advance, points out that not having figured a cash discount in cost and consequently omitted it in fixing sales price, we cannot allow such a deduction. We explain that as a discount, regardless whether it is one per cent. or larger, is merely an addition to cost that may be deducted provided payment is effected in ten days, it follows that on a net 30-day basis better terms are offered because 30 days is allowed for payment of the net price as against only ten days for payment of the net price on a discount basis.

The Weak Spine

One return indicated that while discount terms provided for the earning of the discount with provision that payment be effected in ten days, no objection is made if 15 days are taken. This is representative of a general evil in the cash discount system and is certainly representative of a low ethical standard for which there is no excuse. If 15 days, why not 20? The few days passively permitted will naturally tend to encourage more important claims for concessions. It is like the behaviour of those manufacturers who trade on sales terms and raise the rate according to the bargaining ability and obstinacy of the buyer, who finally loses all confidence in the seller's values. No merchant commands more respect from his customers than the one who religiously insists on exact observance of contract terms.

The cash discount in most businesses is decided upon not because of any study for the need of it, but because of precedence and custom and because it follows the line of least effort and resistance.

The cash discount with much of the retail trade particularly, has lost its meaning and degenerated into a form of unpunished theft. The sellers are really at fault in this when they permit evasion of contract terms by deduction of an unearned discount so long after discount date that there can be no argument at all to its propriety.

Each establishment must do its own share of effort to curb and eliminate abuse. Let each insist upon proper regard to its own terms and consider that the competitor who permits buyers to play loose with

terms, in the end hurts himself most. If abuses complained of are sufficiently real and need remedial measures, those affected and the entire trade concerned should co-operate toward a common end. But there will have to be co-operation in deeds and not only in words.

Increasing competitive efforts toward perfection in manufacturing and distributing efficiency, with the attendant trend toward narrower profit margins per dollar of sales, will lead to a more intensive and interested study of the cash discount.

Any change having for its object the reduction of the discount rate or its abolition in favor of a net terms system, would need a general educational campaign to start the business community thinking on it. Then, if possible, unified action along trade or credit association lines. If it can be shown to the business executive wherein a system is wrong and uneconomic and that a system exists that is worth while economic improvement warranting adoption, there is every reason to believe that a leader in each trade will take the initiative and by example prompt competitors to follow the example.

Growth of the N. A. C. M.

AT the annual meeting of the Robert Morris Associates, the organization of 674 bank credit managers who are members of the National Association of Credit Men, the following resolution was adopted:

WHEREAS, J. Harry Tregoe, Executive Manager of the National Association of Credit Men, has completed twenty-five years of faithful and distinguished service, and

WHEREAS, The remarkable growth of the Association during this period is largely due to his unbounded energy, exceptional talent and high ideals.

NOW, THEREFORE, BE IT RESOLVED, That we, the Robert Morris Associates, in convention assembled, make public acknowledgment of his many accomplishments in the interest of sound credits, and that we extend to him our felicitations upon this occasion.

The Spice of Life

By Lucille Golden

Johnson Brothers Auto Supply Co., Wichita, Kansas

WE all know that the Credit Manager is supposed to be a mind-reader, a prophet, a diplomat, a financier, a lawyer, and above all, a darned good collector. And it might come in handy at times if he also knew the fundamentals of boxing and wrestling, for the pet slogan of some salesmen and customers seems to be, "Lick hell out of the Credit Man." Yet he has his happy moments and his life never lacks variety.

It was two or three o'clock in the afternoon and Mr. Brown was sitting in his office, serenely smoking a first-class cigar—one he had handed himself, as it is popularly known that no one hands the C.M. anything but a hard line. His fingers toyed languidly with the pages of a credit magazine. His mind floated round and round with the circles of smoke exhaled from the above-mentioned cigar. Please don't understand that all Mr. Brown had to do was to smoke good cigars and play with the leaves of a magazine. This was merely his method of trying to relax for a few moments in order to be able to combat further trials of the day.

Presently the reception girl walked briskly into his office, followed by a hard-looking individual.

"Looks like a thug," commented the C.M. inwardly, as he laid aside his magazine and cigar simultaneously and sat up straight in his chair.

"Mr. Brown," introduced the reception girl, "This is Mr. Do-Funny from Highgrass County and he wishes to arrange for a credit account."

"I am very glad to know you," said Mr. Brown, rising and extending his hand, at the same time projecting a broad smile meant to convey friendliness. "Have a chair."

The girl made a quiet exit and the burly farmer from Highgrass, after painfully bruising Mr. Brown's hand, seated himself heavily, without saying, "Howdy do," or anything.

Mr. Brown arched his eyebrows inquiringly and waited for his visitor to open the conversation, but the

credit applicant sat in chilling, oppressive silence, his lips drawn tight, his shaggy brows pulled together above blood-shot eyes.

The C. M. cleared his throat. "You wished to make application for credit, I believe," he suggested.

"Yes," grunted the other, his mouth opening and closing quickly like a trap door. Mr. Brown wondered if it would ever open again.

"Just how much credit would you like to have?" prodded Mr. Brown. This tough-looking man was getting on his nerves.

"Just depends on what I'll need from time to time," answered the applicant, again glueing his lips together.

"What references can you give?" inquired the C. M.

"References?" The burly one looked surprised.

"Yes, references," explained the C. M. "We always require several references before extending credit."

The visitor didn't reply immediately, but attempted to bore his grimy front finger into the hard surface of the desk.

Mr. Brown picked up a pencil and took a credit report blank from a drawer of his desk, and waited expectantly.

"The Highgrass State Bank," mumbled the man, and shut his mouth tightly.

"Any others?" inquired the C. M., encouragingly.

"Others?" echoed the other man.

"Yes, others," smiled the C. M. "We like to have several."

The Highgrass man passed into another state of coma, out of which he emerged several minutes later.

"The Selznik Hardware Company," he said.

After half an hour's prodding and prying Mr. Brown elicited a number of references from the Highgrass man, who then made his departure with little ceremony.

Letters were immediately sent out to the references given.

Late that afternoon the C. M., knee-deep in orders, doubtful how to handle some of them, whether to

O.K. or cancel, was interrupted by the unannounced entrance of a fine-looking young man with honesty, optimism and cleverness written all over his face. He sprang toward the C. M. with outstretched hand and greeted him, "How do you do? Mr. Brown, I believe? I am John Hancock."

The puckers of worry vanished like magic from Mr. Brown's face and he said, warmly, "I am very glad to know you, Mr. Hancock. Have a chair. What can I do for you?"

Mr. Hancock seated himself astride a chair, his arms folded across the back.

"This is the proposition, Mr. Brown," he said, enthusiastically, his brown eyes glistening: "I am starting a new business, and it is going to be a whiz—" Then he went rapidly into explanations about the new business and before he had finished his description, the C. M. was almost wishing that Mr. Hancock would suggest making him a partner instead of merely asking for credit. Then, without being asked, he gave a list of references, "The Guaranty State Bank, The First State Bank, the Selznik Hardware Company, the British Remodeling Company, the Holcomb Sand Refining Company, Goose and Son, and J. R. Jacks." His business finished, Mr. Hancock rose quickly, shook hands with Mr. Brown and thanked him, then hastened out.

Letters were immediately sent out to the references given.

In a few days replies were received on the Do-Funny inquiries. The bank reference, "Just a new customer. Carries a nice little balance at present. However, do not know enough about him yet to make recommendation." Selznik Hardware, "New customer. No paying experience." The other references were of similar tone.

Replies on Hancock came in something like this: First State Bank, "Do not know this Mr. Hancock, but have known his father for years and consider him one of the finest citizens we have. No doubt he intends to back his son. I feel that you can

safely allow him credit." Selznik, "He is O.K." British Remodeling. "Although he has not had practical experience, he was a brilliant student in college and he has a wonderful father who will no doubt help his son along in a financial way. Would recommend reasonable line of credit." Holcomb, Goose and Son, and J. R. Jacks, Inc., made similar reports.

A week or two later an order in the amount of \$75 came in from Do-Funny and, after much hesitation on the part of the C. M., it was O.K.ed for shipment. In the same mail an order from Hancock was received. It was for merchandise in the amount of \$25 and was promptly O.K.ed. Two days later another order in the amount of \$100 was received from Do-Funny. Mr. Brown frowned, reviewed the credit reports carefully, then wrote Mr. Do-Funny a letter to the effect that \$75 was all the credit the Company could extend at the present time until he had established a paying experience.

The next day another order came in from Hancock. This one was for \$40 worth of merchandise. "Buying conservatively," commented Mr. Brown as he O.K.ed the order. Other small orders followed as weeks went by and each was promptly O.K.ed.

Time flew by and Mr. Do-Funny's invoice of \$75 became due and went beyond the date of payment. Immediately a collection letter was dictated, reminding the debtor of the Company's billing terms. To this letter there was received no reply. Another letter was written. Still no reply. Meanwhile, Mr. Hancock's check was received for the full amount of his account.

"I can spot a good credit risk every time," said the C. M. complacently, as he was reviewing the ledgers one morning.

After several months rushed by and Do-Funny's account became one of those old accounts that annoy and worry the Credit Manager, and Mr. Hancock's account grew and grew.

One day the C. M. turned to the bookkeeper with a ledger leaf in his hand. "Hancock is owing \$1,000 that is now thirty days past due. Better have the steno write him a letter, reminding him that we can use the money and that he has gone somewhat beyond our terms. Just a line or two will be all that is necessary, as he has probably been too busy to send us a check. Am-

bitious young man that. A go-getter. Wish we had him here."

"Hancock?" mused the bookkeeper, knitting his brow, "I think I just saw a letter come through from the salesman on that account. Perhaps the check is attached to it."

"Very likely," nodded the C. M., going in search of the letter, figuratively smacking his lips over the thought of the \$1,000 check.

"Ah, here is the letter," he said, picking it up from his own desk.

Just at that moment the reception girl came into his room followed by a man. One glance told Mr. Brown that Mr. Do-Funny of Highgrass was near at hand. What did the hard-boiled old nut want this time? A little more time, perhaps, with a few dollars more credit. Just about like the nerve of him!

"How do you do?" said Mr. Brown, curtly.

The stony-faced visitor was too busy going through his pockets to bother with a return of the greeting. Presently a soiled checkbook was brought forth. "Sorry," he said, laconically, "My old dad has been sick out West and I have been at his bedside for months and just let my business go. He is better now. I've come back to get my slate clean again." A kind of smile lighted his harsh eyes.

An involuntary tear struggled at the corner of the C. M.'s eye, and his voice was mellow with kindness as he thanked Mr. Do-Funny for his check. "So sorry about your father," he murmured. Then, "Come in again and don't forget to favor us with some more orders."

"Thanks," said the farmer, "when you turned me down before, I established another connection and don't feel that I ought to take my business from them, since they have been so good to me." There was no malice in his voice. There was no regret. He walked out of the office and out of the life of Mr. Brown.

"Well, we have the Hancock account anyway," said Mr. Brown, brightly, recalling the letter in his hand, which he immediately proceeded to read.

"Attention Credit Department," it ran. "Just found out today that John Hancock has gone broke and has left town. Nobody knows where he is, even his own folks. He owes everybody in the country. It would

takes us a thousand years to collect what he owes us, and there is no way we can hold his dad responsible. Guess we'll just have to charge off. Another case of flying high."

"I'll be damned," he commented with emphasis, and leaned back in his chair to puff reflectively at a cigar.

A few minutes later he was to leave the building with his bag under his arm.

"Soft," muttered the Sales Manager, as he viewed the receding back of the C. M.

"Wait till he gets my notation about John Hancock, Jr.," put in a young fellow who was draped across the Sales Manager's desk and who quite evidently was one of the traveling men. "He won't sleep a wink for a month when he gets that report." And the salesman engaged in a prolonged and healthy haw-haw, while the Sales Manager grinned happily.

It was not until a week later, during the company's bi-annual sales conference, that the Sales Manager and the salesman had an opportunity to kid Mr. Brown about the Hancock case.

"How are collections?" inquired a fresh young salesman, as the gang crowded around the C. M.

"Take a look at my ledgers and see for yourself," invited Mr. Brown, a calm expression on his face.

The young salesman promptly dashed to the bookkeeper and asked for the John Hancock ledger page. Mr. Brown and the rest watched him with interest. He picked up the sheet with a beaming face and started back to the crowd. Then his face fell as he looked at the sheet.

"Why, it's balanced," he said, in a disappointed voice. "How did you accomplish it?"

"Yes," murmured the C. M., modestly, "it's in balance. I drove over to Agar City and held a conference with John Hancock, Sr., the afternoon I received your report. I went out and had a little game of golf first with Jim Welsh, and then made my trip. A good smoke or a game of golf, or both, always put me in shape for a battle of this sort. Ever try it on sales, boys?"

And Mr. Brown returned to his desk to look over the afternoon mail, while the Sales Department resumed their story-telling contest.



Costs . . . Yes! But what does it Cost to Get Them?

You know how much it costs to buy, receive, keep stock, produce, sell, deliver and bill—the cost of each key operation in your business. Your books give you this vital information.

But do you know how much it costs to keep these books—and how much it ought to cost?

Are you sure that someone in your business is not losing money for you by paying too much for essential figure facts? Perhaps, unintentionally, that someone is you; though

you would not tolerate waste motions and costly methods in any other department.

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N. A. C. M. Trade Groups

Present Increased Facilities for Credit Co-operation

TRADE Group organization has become a matter of such importance to the members of the National Association of Credit Men and the development of the Trade Group Department has been so rapid, that it has become necessary to plan for the coming year along larger lines.

The Directors have empowered the Managers of the Eastern and Central Divisions to set in motion in their respective divisions the necessary machinery for the further development of trade groups.

E. Balestier, Jr., formerly director of the N. A. C. M. Sales Department has taken over the work for the Eastern Division and J. E. Vaughan, of the Chicago Office, for the Central Division.

Work of organizing is going along fast with several groups in the making, in both the Eastern and Central Divisions.

Ceramic Supplies Group

The development of the Ceramic Supplies Group of the National Association of Credit Men is progressing rapidly through the efforts of the Special Committee consisting of Vice-President Chas. Brian, of the Paper Makers Importing Co., Easton, Pa.; President S. Goldman, of the English China Clays Sales Corporation, N. Y.; President H. P. Margerum, of Golding Sons' Co., Trenton, N. J.; President Geo. C. Crossley, of the

United Clay Mines Corporation, Trenton, N. J.; F. G. Lord, Sales Manager of the Pennsylvania Pulverizing Co., Pittsburgh; and D. R. Edgar, of the Edgar Plastic Kaolin Co., Metuchen, N. J. It is expected that in the near future the actual operation of the group as a unit of the Central Credit Interchange system will begin.

Stationery, Etc., Group

The active group comprising Stationery, School and Office Equipment and Supplies (Manufacturers' Division), meeting at the N. A. C. M. convention brought out several excellent papers on credit subjects. Two of these, by Howard S. Sanders and Frank Stumpf, are published in this issue of the CREDIT MONTHLY.

Objects of Trade Groups

The objects of trade groups as organized by the N. A. C. M. are enumerated as follows:

- I. a. To bring about a betterment of Credit conditions in the industry through a spirit of co-operation between members and through a closer contact and understanding with the trade.
- b. To promote the closest harmony and understanding between the members of the Group, and bring about cordial co-operation along credit lines.

- II. To promote accurate and prompt interchange of credit information through a central office.
- III. To prevent the pyramiding of credits.
- IV. To eliminate trade abuses, such as:—
 - a. Taking of unearned discounts,
 - b. Unjustifiable return of merchandise,
 - c. Unjust claims for damaged goods and shortages, etc.
 - d. Cancellation of orders.
- V. To bring about monthly consolidation of ledgers.
- VI. To obtain financial statements.
- VII. To bring about joint action in handling affairs of insolvent or embarrassed debtors.
- VIII. To hold meetings at stated periods for the discussion of matters pertaining to Credits, Finance, Collections, Adjustments and Trade Abuses.
- IX. To handle collectively any matters affecting the group, so long as it is ethical and pertains to credits in any of its many ramifications, *provided* such action does not contravene the law.

The "Credit Men's Plane"

A VALUABLE addition to practical aviation knowledge was made by the National Reliability Air Tour, which took place from June 27 to July 11, and in which the Detroit Association of Credit Men sponsored Plané number 22, manufactured by the Ryan Airlines, which manufactured the famous "Spirit of St. Louis."

Captain Frank M. Hawkes, pilot of the plane sponsored by the Detroit A. C. M., and known as the "Credit Men's Plane" in the tour, explains the purpose of the tour in a letter to the CREDIT MONTHLY, as follows:

"The National Air Tour, formally

known as the Ford Reliability Tour, is a manufacturers' contest, testing the merits of the respective airplanes, and stimulating the public's interest. A trophy was provided by Edsel Ford which was given to the winning plane. If won three consecutive times by the same entrant, it becomes the permanent property of that person. In addition there were ten cash prizes, ranging from \$2,500 to \$300, and a bonus of \$200 for every plane that finished every leg of the tour.

"The contest is fostered to determine the airplane that can carry the greatest load at the greatest speed and land and take off in the shortest space with the least amount of horsepower."

Captain Hawkes then described the mileage, the weather conditions and the time required for each day of the trip, during which twenty-five cities were visited, from Buffalo to Detroit. The plane sponsored by the Detroit A. C. M., attained an average of 110 miles per hour, received a merit of 248.3 points for each leg of the tour, and finished with seventh place, winning a prize of \$750.

"I wish to pay special tribute to the National Association of Credit Men," writes Captain Hawkes. "As sponsors you are perfect! As a fine organization you cannot be surpassed. As entertainers, there are none better."

Retail Credit Men Change Organization Name Eliminating "Men's"

THE word "men's" was eliminated from the name of the Retail Credit Men's National Association, by an amendment to the constitution of the organization, at its Fifteenth Annual Convention, August 9-12, at Providence.

The following officers were elected:—President, L. L. Meyer, Houston; First Vice-President, J. R. Hewitt, Baltimore; Second Vice-President, Milton J. Solon, Minneapolis; Directors (for three years), William H. Gray, Cleveland; S. H. Talkes, Washington; A. D. McMullan, Oklahoma City; William Devere, Cheyenne; H. A. Dibans, Milwaukee (to fill unexpired terms); J. E. Zieglmeyers, Dallas; and W. W. Robinson, Portland, Ore.

An interesting exhibit of labor saving office equipment was held during the convention. Among the exhibitors were the Burroughs Adding Machine Co., Elliott-Fisher Co., National Cash Register Co., Rand-Kardex Co., and Remington Typewriter Co.

J. R. Hewitt, of The Hub, Baltimore, elected first Vice-President, is active also in the National Association of Credit Men. In June he delivered an address to the N. A. C. M. Convention, and is serving on the Business Literature Committee of the Association.

N. A. C. M. Director Ernest I. Kilcup, of the Davol Rubber Co., Providence, addressed the retail association convention. He declared that the educational efforts of the retail association were showing results among consumers who are beginning to value credit as one of their finest possessions. He pointed out that the worst credit abuses would be eliminated if both the wholesale and the retail credit organizations could include in their ranks all of the eligible business houses in the country. He recommended strongly that whenever, in State or National legislative bodies, a worthy bill is presented with a direct bearing on credit, both credit organizations should work together to secure its enactment.



The Greeks Took No Chances

RATHER than risk the vengeance of some slighted divinity whose identity they had not specifically recognized, the cunning Greeks made sacrifices and poured libations to the Unknown Goddess.

In guarding against unknown factors, we are not always as prudent as the ancients were.

Particularly in our business undertakings should due allowance be made for possibilities which do not show up in statements and balance sheets, such, for instance, as fires, tornadoes, embezzlements, robberies, heavy judgments for personal injuries, etc.

Since losses of this sort may impair even the soundest finances, the individual, or concern, that carries a complete program of insurance and bonding protection naturally creates added confidence in quarters where credit is sought.

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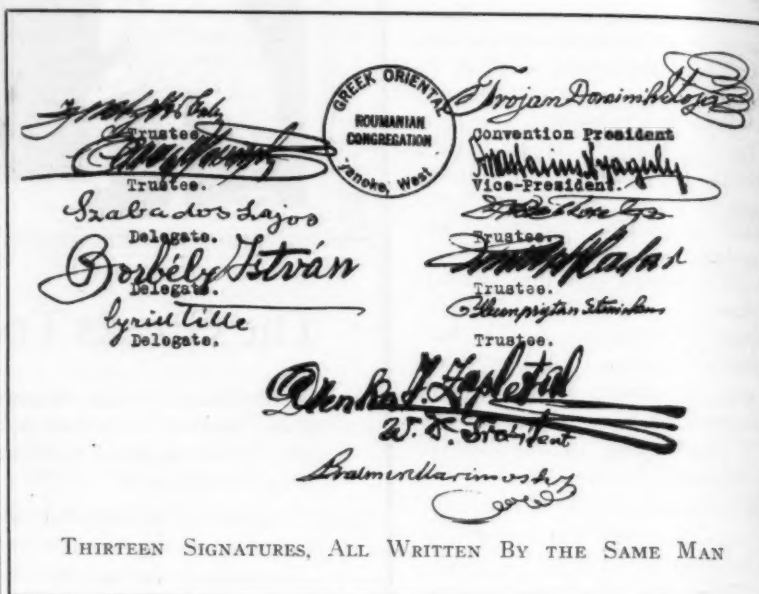
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Beware of This Autograph Writer!

By David Sawley



THE U. S. Post Office has requested the National Association of Credit Men to broadcast among its members a warning against an ingenious individual who is working a scheme in various different lines of business. A number of concerns have already been caught by his proposition, which is as follows:

On the strength of credentials bearing the alleged signatures of church officials of some foreign religious group whose "business representative" he claims to be, this person manages to obtain authorization from a concern to act as its agent in securing orders from the religious group for building materials or supplies for orphanages, etc. In this way he secures advances of traveling expenses, and commission arrangements on all orders received through him by the concern.

His next step is apparently to leave on a trip. The concern shortly afterwards receives an order for merchandise from the church organization which he claims to represent.

bearing the signatures of church officials, and written on the letterhead of a religious group with a foreign name, usually located in a small middle western or southern city. A facsimile of the extraordinary collection of signatures which autograph experts believe are all by the same hand, on one such order, is reproduced above. The circular rubber stamp, with its obscure address, is also worth noting.

This order is immediately confirmed by a visit from the "business representative," who requests, and often receives, his commission in advance. However, when the merchandise is shipped, the concern invariably receives a notice from the railway company that the consignee cannot be found. Nor can the representative of the religious group, for he has by that time started his operations in another district.

In many cases, firms have paid advance commissions in sums as high as \$1,000, and have often added traveling and other expenses.

Causes of Business Failures

(Continued from page 16)

there is bound to be embarrassment, which often leads to failure.

Unwise credits to the consumer is another inside cause of failure. Too often merchants who are buying goods on short terms grant long terms to their customers. This naturally means trouble.

In some concerns we occasionally find orders approved at the request of the Sales Department against the better judgment of the Credit Department. Such orders may be accepted for the purpose of helping the gross sales budget in a given territory on the chance that collection can be effected. Such business, economically unsound, is subject to a disproportionate collection expense. Returns and allowance claims are enormous, as a rule, and credit losses heavy.

Neglect is an inexcusable cause of failure. The man who spends too much time in entertaining, the man who never misses a ball game when he should be on the job is a menace to good business. This neglect often destroys the morale of his organization because employees who are left in charge feel that they too can steal an afternoon from business.

I know a very large jobber whose business is being operated by a receiver right now. The principal cause was neglect. There are several hundred thousand dollars involved.

A great many failures are caused by fraudulent practices, and this phase of credit is being dealt with vigorously and effectively by the Credit Protection Department of the National Association of Credit Men. But I am convinced that if as Credit Managers we can eliminate or minimize the various non-fraudulent causes of failure among our customers, we shall be cutting down the bad debt loss—and incidentally preventing a considerable number of the frauds.

Confronted as he is with a multiplicity of causes of failure among the merchants to whom he ships goods, the Credit Manager must of course, have a means of obtaining information that will make it possible for him to analyze conditions so that he may be forewarned.

The forewarnings are secured

through antecedent information obtained through the mercantile agencies, copies of financial statements, a knowledge of habits of payments, which is learned through the N. A. C. M. Interchange Bureaus, and the canvassing of references which the applicant for credit has given. Further sources of information are provided by the names of other houses from whom the merchant is buying, which names are supplied by the salesman who has observed the goods in the shelves of the customer. And

last, and most important as a source of information is that personal contact which the Credit Managers have with each other. Too much stress cannot be laid on the personal contact among those who are selling the same class of trade.

Many, many times a Credit Manager is in possession of information which he can and will give to another Credit Manager whom he knows personally through his trade group—information that he would hesitate to give to anyone else.



The First Steps

IN ENTERING foreign trade the first steps are of vital importance. Your progress will be facilitated by proper discrimination in methods of approach to markets, selection of agents and closing of contracts.

To prevent avoidable mistakes and delays the complete facilities of American Exchange Irving Trust Company are at your disposal. Correspondent banks everywhere keep this organization in close touch with changes in local conditions and trade requirements.

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Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

N. Y. Foreign Corporations Law

Q. What is meant by the foreign corporation law in New York; or, in other words, what is meant by "doing business as a foreign corporation in New York? Would the fact of selling merchandise by representative necessitate the filing of a certificate as a foreign corporation or is it necessary, in order to come under such a law, to establish a branch in New York and attempt to deliver and sell from that branch? What is the fee for filing a certificate in New York?

A. A foreign corporation owing no debt to this state for its corporate existence and having its place of business in and conducting its business from another State, except as it may use incidental and very limited agencies in this State for the sale of its goods, may properly be exempt from regulations and restrictions and burdens which, with justice, would be imposed on a foreign corporation coming into New York State and taking advantage of its protection and laws.

In a case where the defendant was organized under the laws of the State of Pennsylvania and in that State had its factory and general offices, but sold its goods in New York State through traveling salesmen who were furnished with an office in the City of New York for meeting customers and conducting correspondence, it was held this was not doing business within the State of New York so as to make the corporation liable for the failure to keep a stock book at such office under section 33 of the Stock Corporation Law.

The amount of tax is provided for in Section 181 of the Tax Law, as follows:

"181. License tax on foreign corporations. Every foreign corporation, except banking corporations, fire, marine, casualty and life insurance companies, co-operative fraternal insurance companies, and building and loan associations, doing business in this state¹ shall pay to the state treasurer, for the use of the state, a license fee of one-eighth of one per centum for the privilege of exercising its corporate franchises or carrying on its business in such corporate or organized capacity in this state, to be computed upon the basis of the capital stock employed by it within this state, during the first year of carrying on its business in this state;² which first payment shall not be less than ten dollars; and if any year

¹ "Under the general corporation law" omitted.

² "Which first payment shall not be less than ten dollars" net.

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

thereafter any such corporation shall employ³ more than eight thousand dollars of its capital stock within this state on which a license fee has not been paid then a license fee at the rate of one-eighth of one per centum shall be due and payable upon any such increase. The measure of the amount of capital stock employed in this state shall be such a portion of the issued capital stock as the gross assets employed in any business within this state bear to the gross assets wherever employed in business."

Indiana Conditional Sales Act

Q. Is it true that conditional sales contracts cannot be used in the state of Indiana without complying with provisions of Senate Bill No. 2 which was recently passed by the Indiana Senate; what are these provisions?

A. The only amendment to the Conditional Sales Law of Indiana made by the 1927 Legislature was by the enactment of Chapter 182 of the Laws of 1927, approved March 9th, 1927, to the effect that any purchaser of personal property under a conditional sale contract who, without the written consent of the owner of the property, removes any of the property out of the State of Indiana where it was situated at the time the contract was made, or secretes or converts the same to his own use or sells or attempts to sell the same to any persons without the written consent of the owner of the property, shall be deemed guilty of a felony and upon conviction thereof, may be fined not exceeding one hundred dollars, to which may be added imprisonment in the State Reformatory or the State Prison for a period of not exceeding one year.

³ "More than eight thousand . . . rate of one-eighth of one per centum" substituted in place of "an increased amount of its capital stock within this state, the same license fee."

Chapter 182 was known as Senate Bill No. 244.

(A copy of Senate Bill No. 2 (Chapter 66, Laws of 1927, approved March 4th, 1927, may be secured from the National Association of Credit Men upon request).

Form of Trade Acceptance

Q. What information have you as to recent State court decisions relating to Trade Acceptances?

A. The following is a copy of a circular recently issued by the Federal Reserve Bank of Cleveland to all banks in the Fourth Federal District in which attention is called to two court decisions relative to the negotiability of the present "standard" form of Trade Acceptance and suggesting the use of a differently worded phrase that it is thought would insure the negotiability of such instruments.

"To all Banks and Trust Companies in the Fourth Federal Reserve District:

The following extract from the July, 1927, Federal Bulletin recommending a change in the Standard form of trade acceptance now in use is sent to all banks in this district for their information:

The Supreme Court of the State of Texas has recently rendered an opinion in the case of Lane Company v. Crum, in which it is held that a trade acceptance is rendered non-negotiable by a statement contained thereon as follows: 'The obligation of the acceptor hereof arises out of the purchase of goods from the drawer, maturity being in conformity with the original terms of purchase.'

A similar decision has also been rendered by the Supreme Court of Florida with regard to trade acceptances bearing an indorsement of this kind.

These decisions raise serious doubt as to the negotiability of acceptances containing statements of this kind in all jurisdictions where the courts of last resort have not yet held such acceptances to be negotiable. The Federal Reserve Board considers that it is advisable to change the standard form of trade acceptances now in use by eliminating therefrom the clause giving rise to this doubt and by inserting in lieu thereof a provision to read as follows: 'The transaction which gives rise to this instrument is the purchase of goods by the acceptor from the drawer.'

A Protector of Capital

(Continued from page 18)

his store for the day, when a lady hurried in and requested an article which was in the rear of the store. When he had his back turned he heard a thud, and hurrying to the front found his customer lying prostrate on the floor. The lady was removed to a hospital where she was confined for many weeks. When she finally recovered, her attorney presented a claim for damages alleging that the merchant had oiled his floor and that she had slipped on it. A lengthy trial took place, and it was finally proved that the lady was subject to fainting spells and that her injury resulted from such an attack and not from the slippery floor. There were large attorney fees; but fortunately the merchant carried casualty insurance and there was no outlay on his part.

Several months ago the proprietor of a small bakery ordered a load of coal. The cellar extends under the sidewalk. After having unloaded the coal through a man-hole, the driver placed the cover on improperly. A short time later a young lady stepped on the cover, which gave way, and as a result she was seriously injured. She was employed as a stenographer in a law office, and in due time her employer filed claim for damages. However, the merchant had been provident enough to carry casualty insurance and the insurance company took over the case.

Incidents like the above are common in every community, but they are usually regarded as unavoidable accidents. Perhaps they were, but nevertheless, in the eyes of many juries, the merchant or property owner is held liable.

It is clear that a large judgment or a heavy expense incidental to litigation might easily embarrass a merchant, especially one whose resources are limited. The very fact that a merchant is depending on his creditors for a liberal line of credit to absorb a deficiency of capital is all the more reason why a credit man should insist that his contribution in the form of credit should be protected. The duties of a credit manager are to a certain extent those of

(Continued on page 31)

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Foam from the Three C's

Verdure in Business

THE New College Graduate employed in the accounting department of Stanza, McCurdle & Co., splashed into a chair alongside the Credit Manager's desk and effused a double column of cigarette smoke through the nose, importantly, with the effect of a green tree on fire.

"What's this National Association of Credit Men we belong to?" he asked the Credit Manager, in the manner of an Emperor asking a blacksmith how much his hammer weighed.

The Credit Manager, remembering his kiddies at home and their infantile thirst for knowledge, answered as the blacksmith might explain the horseshoeing trade to the Emperor's adolescent daughter:

"Once upon a time—I mean, to sum it up in a few words, the National Association of Credit Men is a co-operative movement to improve credit in all its phases and to cut down credit losses."

The Credit Manager stopped to let it sink in. It didn't go very deep before the New Grad broke out in smoke and gave utterance. After ten seconds of careful consideration, he bestowed upon the Credit Manager the benefit of his counsel.

"I'm convinced," he said, "that this co-operation stuff is the bunk. That's all we hear about nowadays—co-operation, and then more of the same thing. This association idea may be all right in theory, but there's too much time and money spent for that sort of thing."

"And as for this 'spirit of co-operation' blah that's filled up the business world with a lot of hot air, it doesn't go big with me at all. It's individual effort that gets a man along in this world; and if he spends his time and his firm's money co-operating with other people, where do he and his firm get off?"

The Credit Manager, for the moment, forgot his kiddies at home and their thirst for knowledge. He forgot, too, that the New College Graduate was the general manager's nephew. Uppermost in his mind was the fact that only a week previously

a credit interchange bureau report had saved his company several thousand dollars in bad debts and had thereby acted not unfavorably toward his continued employment as Credit Manager for the McCurdle firm.

"I hope you will pardon me if I seem to get personal," he began, in his best collection-letter style, "but you haven't the slightest idea of what you're talking about. I don't have to tell you that 'in union there is strength.' It's axiomatic that 'united we stand; divided we fall.' That's all copy-book stuff, and it's true."

"I know too that some of you young fellows just out of college want to change the world around in accordance with your own ideas, which, we hope, will be knocked out of your head before long. But there is one thing you must get out of your mind right away; and that is your belief that co-operation is the bunk."

"We won't argue about the value of co-operation and organization in advancing a business establishment. The success of thousands of concerns and movements proves that working together gets results."

"And just to show you that co-operation is an indispensable factor in individual effort, let's take the case of any successful man."

"If a man is successful, it means that he has brains, capacity for work, experience and training, and a strong personality; and it is the co-operation he gets out of these factors in his make-up that makes him a success."

At this point the Young College Graduate finished his cigarette and stood up.

"Oh, well, there's something in what you say," he admitted, which was a lot for him to concede. . . . "Perhaps I did get a wrong slant on things. . . . So long."

"And furthermore," the Credit Manager continued, after the door closed, "if you don't get the office bunch here to co-operating more favorably toward you, you'll be out selling bonds, next thing you know."

F. S. HUBBELL.

A Protector of Capital

(Continued from page 29)

being "His brother's keeper." Many merchants have the will and energy to succeed, but they require guidance. If the business I represent is to prosper, then it is essential that my customers shall prosper. Am I not then, as a credit manager, failing in my duty when I permit my co-partner, the customer, to assume hazards that my own business would not countenance? I surely am!

Let me set forth briefly the reasons why a business concern should carry casualty insurance.

(1) Capital, usually accumulated through years of hard work, is protected by casualty insurance—which protects the insured and the creditor as well. Many businesses are safe enough until unfavorable conditions arise, but may readily be made insolvent by an unusual expense such as a law suit or damages.

(2) Casualty insurance means an economic saving. A large loss or unusual expense may easily eliminate a capable merchant who is performing an economic service to his community.

(3) When this form of insurance is carried, a manufacturer or jobber is justified because of this protection, in advancing a line of credit to a business lacking capital.

(4) In order to increase the volume of his business, the wholesaler is obliged to sell many firms which have limited capital. The profit in the aggregate is considerable. To preserve this profit the wholesaler should insist on casualty insurance, as a basis for credit.

(5) All progressive and successful merchants want to conduct their businesses along sound lines and to disregard casualty insurance is to defeat this purpose.

(6) The cost is negligible. The rates for manufacturing plants and contractors are based at so much for each \$100 of payroll. In most cases, the rate is only two cents, which is because the work of a manufacturing plant is done inside and does not come in contact with the public. In the case of businesses, office or apartment buildings, and department stores, the rates are set at so much for each lineal foot bordering a street or public highway, plus so much for each 100 square feet of floor space. For office buildings and

department stores, the rate is five cents for every lineal foot, plus five cents for each 100 square feet of floor space.

(7) If an insurance company is to be successful in selling its product, it is *essential to keep the rate as low as possible*. Therefore, by frequent inspections by trained men, the causes for many accidents are removed. In the case of elevators, for example, accidents have been reduced to a minimum.

(8) Casualty insurance has its humanitarian aspect. In the daily routine of life one is in constant danger.

Many terrible catastrophies have resulted from negligence which then calls forth legislation to prevent a recurrence. The greatest strides in the realm of medicine have been accomplished through preventative measures which eliminate the cause rather than cure the disease. In like manner, fire losses have been curtailed by an awakened public conscience and by frequent inspections. So it is with public liability insurance, which functions not only in protecting the insured but also the public, by eliminating hazards which are apparent to skilled inspectors.

[Ad No. 10 in a series on Business Mortality]

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Lack of supply for private brands
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Failure to advertise

Whether your customers fail from this cause or that cause, your resources are endangered just the same. But no matter *what* may happen to *any* of your customers, *nor how unexpectedly*, you are protected thoroughly if you carry American Credit Insurance. Hundreds of Credit Managers are already benefiting by our broad service—why not you? An American representative trained in the credit problems of your industry will be glad to tell you the whole story.

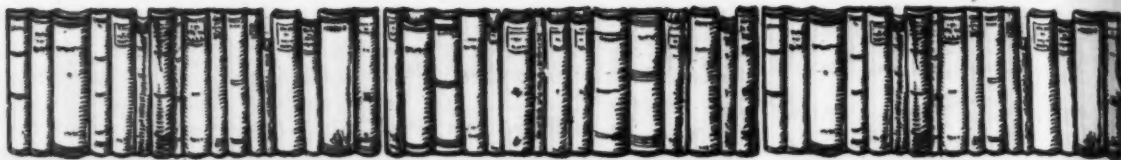
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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Interpretation of Statements

HOW TO READ A PROFIT AND LOSS STATEMENT. Herbert G. Stockwell. Ronald Press Company, N. Y. 1927. 411 pp. \$4.50.

This is a companion volume to the same author's "How to Read a Financial Statement," which was reviewed in "The Business Library" in October, 1925. The author is a C.P.A. in Pennsylvania and New York and a member of the Philadelphia Bar.

Mr. Stockwell's first book dealt, of course, with the financial condition of business concerns at a given time, and explained the meaning of the various kinds of asset, liability, capital stock and surplus items, as they appear in the balance sheet. The present volume indicates, by means of examination of the revenue and expense accounts, how a concern's operations have produced the conditions which are revealed in the balance sheet. The two books are therefore complementary, and together constitute a treatise on the general subject of statement analysis.

The balance sheet answers the question "Where do we stand?" The profit and loss statement, and particularly a comparison of such statements from time to time, answers the even more important question, "In what direction are we moving?" The new volume is therefore significant in the light of the growing desire on the part of security holders, bankers and credit managers to have fuller information concerning the earning power of an enterprise in which they may be interested.

In his first chapter Mr. Stockwell outlines the chief items which appear in the average profit and loss statement. The chapter titles through to Chapter XI follow, as closely as possible, the order established in the opening chapter. Subsequent chapters, beginning with Chapter XII, deal with the consolidated profit and loss statement, profit and loss in connection with the balance sheet, and analysis of good, bad and fraudulent statements, many of them taken in their entirety as issued.

From the credit point of view one of the outstanding sections is Chapter XVII

on "Manipulating Profit and Loss Statements to Conceal True Conditions."

There are, of course, as many ways of falsifying the profit and loss account of a business concern as there are different classes of items included in the details of their composition. Mr. Stockwell gives some striking examples, which serve to show the importance of keener examination and inquiry, especially by those who mistakenly think that the balance sheet itself without the information obtainable from the profit and loss statement is sufficient for credit or investment purposes.

Among the methods of manipulation described by the author are treating unfilled orders as sales; crediting the proceeds of sale of plant to the general sales account; eliminating losses by raising the book value of plant and equipment; concealing losses in fictitious inventory sheets; understating inventory to conceal profits or raising inventory to conceal overdrafts; concealing losses on contracts; and omitting regular depreciation charges.

The text is illustrated by 45 typical statements, many of which are based on actual operations which came under the observation of the author. The text material is well arranged, the use of frequent side-heads contributing much to the reader's convenience and comfort in studying the book or using it for reference purposes.

Old Friend—New Dress

ECONOMIC DEVELOPMENT OF THE UNITED STATES. (Second edition). Isaac Lippincott. D. Appleton and Company, N. Y. 1927. 771 pp. \$3.50.

This is a revised and substantially enlarged edition of a familiar work on economics, originally published in 1921. The author is professor of economic resources in Washington University.

In use in many colleges and universities as a classroom text, and in many business and professional offices as a well-thumbed desk-book, this volume presents a graphic picture of the economic development of the United States from the first settlement down to the year 1927.

As our greatest development has been since the Civil War period, the past sixty years are treated most generously. Professor Lippincott chronicles the phenomenal expansion of our manufactures, commerce, agriculture, transportation, labor organization and finance.

There are five main divisions of the material. Part I sketches in a background of economic theory, covering definitions, causes, and general conditions of economic development. Part II deals with the colonial period, starting with the discovery of the country, explorations of the interior and colonization projects sponsored by the French, the Spanish and the English. One chapter is devoted to colonial agriculture and one to colonial industries and regulations.

The next period covered is that of the founding of the national industrial system (1789-1866). In this section (Part III) the author describes the formation of the Constitution and its immediate results; the growth of population and extension of the national domain; products of the field, forest and mine; manufactures; and the development of domestic and foreign commerce. Part IV carries the chronicle on through the period of phenomenal expansion of our national industries (1860-1914) and the concluding section (Part V) is devoted to the economic effects of the World War, and developments since the Armistice.

One of the engaging features of this text is its unfailingly human point of view. Professor Lippincott has, of course, been dealing for many busy years with economic theories and statistics. But he has fortunately refused to become a dry-as-dust commentator, handling economic facts and figures as if they were of supreme interest in themselves, without direct application to live human problems.

His marshaling of the outstanding facts in the evolution of our industries is impressive. He is familiar with sources, and uses admirable judgment in drawing upon them and presenting his material in readable form. But in the opinion of this reviewer, at least, his chief claim to an enduring fame is based on something

more than erudition or facility of exposition,—an inborn conviction that our whole system of production and distribution is significant only as it raises the standard of living and gives to the great masses of the people not only necessary food, clothing and shelter but an occasional taste, at least, of the finer things of life.

Measures of Business

BUSINESS CYCLES AND BUSINESS MEASUREMENTS. Carl Snyder. The Macmillan Company, N. Y. 1927. 226 pp. \$6.

From his conning tower high up in the building occupied by the Federal Reserve Bank of New York, the general statistician of that institution has been engaged for several years in a particularly interesting and enlightening piece of observation.

The task set by Mr. Snyder for himself and his associates was to obtain broader and more detailed measures of trade, production and business activity in this country, and their fluctuations throughout the last half century or more; to provide a standard for the measurement of business or trade by means of a new index of the total volume of trade derived from 56 separately computed series; and to make comparisons of this with other new indexes of business derived from such sources as bank debits corrected for changes in the general price level, variations in the rate of turnover of bank deposits, railway traffic and production in business industries.

These new measures, the author suggests, will offer a basis for answer to the question as to just what are "business cycles", what is the extent and regularity of trade fluctuations, and the time relations between various phases of business activity, such as production in basic industries, distribution of goods, wholesale and retail trade, and other phases of business and finance. In presenting the material Mr. Snyder discusses in some detail such problems as the influence of interest rates, credit supply, business insolvencies and price changes.

In the measurement of cycles in the volume of trade, as variations in the deviations from the persistent rate of growth, Mr. Snyder finds a possible clue to the nature of business cycles. From this point of view, prosperous periods represent over-expansion beyond the rate of growth to which an industry has been built up. This results in a breakdown in the balance of production, leading to stagnation and depression.

Whether from all this new knowledge it will be possible to find the one true "cause" of business cycles (if one true cause exists), is, in Mr. Snyder's opinion, a matter to be determined in the future. We have had, he says, a multiplicity of theories, owing to the paucity of accurate measurement. Here, as in all scientific investigations, he will be the discoverer

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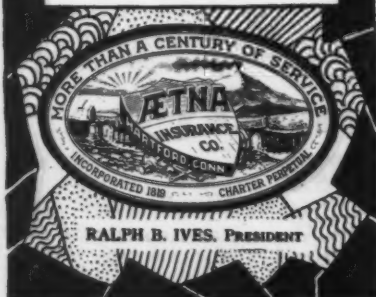
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Out of the chaos

The cold ruins of destroyed business property may resemble chaos, but the material destruction often is not as serious as the interruption of the business itself.

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who proves.

But this much at least seems clear to the Federal Reserve economist,—no industry can long remain widely out of balance with other industries. None can absorb too much save on the penalty of later having too little. Not even the most favored trade can expand indefinitely.

Now that we can measure every phase so closely, Mr. Snyder concludes, we shall be better able to calculate, in each industry, the probable demand, and automatically to regulate production to this demand. When we do, to all intents the business cycle will have disappeared. And that, as 30,000 credit managers will agree, is a consummation devoutly to be wished.

The Three P's

PROFITS, PROGRESS AND PROSPERITY.
Arthur B. Adams. McGraw-Hill Book Company, Inc., N. Y. 1927. 178 pp. \$2.

Although the title of this book sounds more or less like a campaign slogan, and Dean Adams may have the fisherman of the Black Hills on his trail for infringement of copyright, the book is in reality a companion volume to the author's "Economics of Business Cycles."

The Dean's thesis is: "Progress toward greater production and consumption is facilitated because consumer buying does keep pace with production." This gives "The Business Library" department of the CREDIT MONTHLY a fine idea for the program of the next National Association of Credit Men convention—stage a debate between Dean Adams and the Pollak twins. Or let Messrs. Foster and Catchings flip a coin to see which shall have the honor of entering the lists to break spears with the gentleman from the University of Oklahoma.

The aim of "Profits, Progress and Prosperity" is to analyze the actual operations of our industrial system under the fluctuations of the general price level and to point out the results of these ebb and flow movements. The author makes a special study of the investment of savings under different conditions, and the effects of such investments upon consumers' current money and the flow of consumers' goods to the market.

Is credit inflation the cause of booms? Dr. Adams answers this question by saying that it is rather the instrument which must be used to bring about booms. It is only by the use of large quantities of new credit-purchasing power that booms can be sustained. Since booms, with their inevitable aftermath of crises and depressions, are deadly in their effect on industrial progress and prosperity, the next question seems to be: How may they be prevented?

To this Dr. Adams answers that the remedy lies in the prevention of the excessive expansion of bank credit. The effective means of accomplishing this end must be through the control of the rediscount operations of the Federal Reserve

banks. The Federal Reserve Board, through control over the rediscount operations of the Federal Reserve banks, could prevent any appreciable inflation of the general price level in this country.

If, Dean Adams concludes, there is now any question as to the legal power of this Board to exercise this function under the Federal Reserve law as it now reads, the law should be changed so that the Board will be directed specifically to perform this function in the future. It is only through the control of the expansion of bank credit that future booms can be prevented.

As is well known, legislation designed to accomplish this purpose has already been launched, and has met opposition on the part of those who are skeptical as to the possibility of reaching the desired result through the Federal Reserve System. To the sponsors of the proposed legislation Dean Adams' unqualified stand will doubtless give no little encouragement.

2600 More Business Books

BUSINESS BOOKS, 1920-1926. Compiled by Business Branch of Newark Public Library. H. W. Wilson Company, N. Y. 1927. 592 pp. \$7.50.

A rising vote of thanks to Mr. John Cotton Dana and his associates in the Newark Public Library is in order. To "2400 Business Books," published in 1920 they now add an analytical catalogue of 2600 more titles, making an even 5000 in the two volumes.

The work of compilation was done by Linda H. Morley, librarian in charge of the Business Branch (now librarian of International Relations Counselors, Inc.) and Adelaide C. Kight, assistant at the Business Branch (now associate librarian of International Relations Counselors, Inc.). In the absence of Miss Morley and Miss Kight, Miss Marie L. Prevost, head of the catalogue department of the Newark Public Library, gave the manuscript its final preparation for the publisher.

So great has been the production of business literature that the output of the past seven years bulks larger than did all similar material handled by the Library up to 1920. Directories, as such, have not been included since they are fully treated in the "Mailing List Directory" by the same compilers, but certain important directories which are in the nature of trade handbooks have been analyzed for statistical and other data.

In the period between the two catalogues the number of subjects and their subdivisions in use has more than doubled. The new book adds 2,106 new subjects making a total in both volumes of more than 4,100. A few headings have been changed to conform to current business usage, but in these cases notes of the changes are made under both old and new headings, so that no material will be overlooked when the volumes are consulted together.

To meet the need for a knowledge of

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trade outlets, the industrial and commercial uses of raw materials and manufactured products have been brought out in 228 entries under "Commodities of Commerce—Uses," with sub-heads for 87 commodity names.

The group of trade encyclopedias and dictionaries has grown to large proportions, the supplement containing 295 entries under 107 subdivisions for trade and subject. Including entries in the 1920 edition, this group now totals nearly 400.

"Statistics" has been subdivided for 119 trades as well as by various other subjects, such as costs, employment, profit, sales, turnovers and wages. Some of these, noticeably wages, have been further subdivided by trade name. "Tables, formulae, etc." has been given 62 subdivisions for trade and subject.

This is in every respect a ready reference book. If you wish to learn about the book or books written by a certain author, look for his name as you would in a telephone book. If you wish to learn about a book with a certain title, look for that title, disregarding the "A", "An", or "The" that may precede the title proper. And if you wish to learn what has been written on a certain subject, look for that subject, noting that a subject is often subdivided and that to find what you seek you must in some cases look through the alphabetized subdivision of a subject.

Hobbies of Credit Managers (Continued from page 13)

stay with us is from a few days to a full season, and their comings and goings and other social and economic habits are matters of constant and growing interest through the years.

"We are fortunate in having rather a spacious lot on which we are able to grow quite a variety of flowers, from the pampered and aristocratic gardenia to the gladsome zinnia with its deluxity of color.

"Last year I was rash enough to buy a few acres in Wahya Valley, just over the Georgia line in North Carolina. It is my hope to build thereon some of these days a rude but comfortably appointed lodge where we can spend the more heated months and entertain some of our friends. It has a trout stream and fully fifty varieties of lovely trees, from the lordly hemlock to the diminutive chincapin."

So far as the exhaustive researches of the CREDIT MONTHLY have gone in this line, they clearly indicate that the laborer in the garden of Credits is a man of fads and hobbies. This proves conclusively that—in spite of ill-informed statements that he is a twenty-minute egg—the Credit Manager is human.

Col. Wm. A. Gaston of Boston

WILLIAM A. GASTON, one of the incorporators of the Federal Reserve Bank of Boston, who died recently at the age of 68, was one of the distinguished men who accepted membership on the National Committee of the Credit Protection Fund of the National Association of Credit Men when the fund was projected in 1925.

Colonel Gaston was a leading figure in industry, law, banking and philanthropy. In accepting membership on the Committee he remarked that the setting up of a Credit Protection Department—such as has been successfully operated since the raising of the Fund—would be one of the greatest services the Association had ever rendered to the business interests of the entire country and he commended the project in the very highest terms.

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Eleven Past Presidents of the N. A. C. M. Attending the Thirty-Second Annual Convention



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THIS remarkable photograph of most of the living past presidents of the National Association of Credit Men was taken at Louisville during the 1927 Convention.

Left to right, they are:—W. H. Pouch, of New York, 1926-27; Richard T. Baden of Baltimore, 1925-26; Edward P. Tuttle of Boston, 1923-24; John E. Norvell of Huntington, W. Va., 1922-23; W. F. H. Koelsch of New York, 1920-21; C. R. Burnett of Newark, 1919-20; F. B. McComas of Los Angeles, 1918-19; S. J. Whitlock of Chicago, 1917-18; H. G. Moore of Kansas City, 1915-16; Charles E. Meek of New York, 1914-15; J. H. Tregoe of Baltimore, 1902-04.

The work of these leaders of the credit fraternity, with the loyal co-operation of the thousands of credit managers who have made that leadership effective, is responsible for the present dominating position of the National Association of Credit Men in the commercial life of the Nation.

Phillips Succeeds Jefferies As N.A.C.M. Eastern Division Manager

E. PAUL PHILLIPS, for more than two years Director of the Adjustment Bureaus Department of the National Association of Credit men, has been appointed Eastern Division Manager of the Association. He will continue to supervise the Adjustment Bureaus Department. He succeeds F. S. Jefferies who has been Eastern Division Manager since August, 1926. Executive Manager J. H. Tregoe, in speaking of Mr. Jefferies' much regretted resignation and of the new appointment said:

"Mr. Jefferies, in his work for the National Association, has duplicated the success he has achieved in his other undertakings. At our insistent invitation he left San Francisco and came east to fill the position he is now leaving.

"Our confidence in his ability has been amply justified. He has shown a brand of resourcefulness that has made his efforts highly satisfactory and as an organizer and administra-



E. PAUL PHILLIPS

tor of the affairs of his division he has done an excellent work.

"His decision to resign after ten years of association work and to enter a different field of endeavor brings sincere regret to the hundreds he has met in his association activities in all parts of the country.

"Paul Phillips has every qualification for the difficult task of Eastern Division Manager and is familiar at first hand with the problems of many of the local Associations in that division. He will have the same complete co-operation from divisional managers E. B. Moran and B. B. Tregoe which his predecessor has enjoyed."

Before coming to the Association's headquarters' office at One Park Avenue, New York, Major Phillips was a practicing attorney in St. Louis where he became thoroughly familiar with Adjustment Bureau work through the representation, as attorney, of the Adjustment Bureau of the St. Louis Association. He has also acted as Assistant Secretary of that organization and has edited its bulletin.

Major Phillips enlisted as a private in the army in 1917, attained the rank of Major and served for many months as an instructor in flying. He is now a Flying Major in the Reserve Corps, is a 32° Mason, Shriner and a member of the Kappa Sigma and Phi Delta Phi Fraternity.

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 ALTER, HARRY, owner of Chicago Concrete Const. Co., 1414 N. Washtenaw Ave., Chicago.
 BELL, T. W., formerly prop. Park Ridge Garage, Park Ridge, Ill.
 BALIS, G. E., Balis Pharmacy, Bradentown, Fla.
 BOCCHIERI, CHAS., Chas. Bocchieri & Co., 1615 Franklin St., St. Louis, Mo.
 BOEN, Z. M., Paris Bargain House, Paris, Ky. Believed to be in Leland, Fla.
 CLOYD, C. B., formerly at Waco, Texas, later at Pooe Hospital, Port Clinton, Ohio.
 CHINESE TRADING CO., formerly at Room 407, 109 North Dearborn St., Chicago, Ill.
 COHEN, ISRAEL, 754 Limestone St., Lexington, Ky., believed to be in Chelsea, Mass.
 DRINKHAUS, I., formerly 753 North Wells St., Chicago, Ill.
 D. NORA, SAVERIO, 1329 Boston Rd., later at 3547 - 3rd Ave., near 160th St., New York City.
 DURKIN, ALICE M. (Miss), Contracting business as Durkin & Lass. Later as Mrs. Alice M. Walsh, last heard of in Staten Island, N. Y.
 EMERICK, CLAYTON, formerly of Kalida, Ohio.
 EGGERT & WACHTER, formerly of 117 E. 90th St., N. Y. C.
 ELLIS (WM. L.) and RICARDI (GATANO), props. Ideal Auction Rooms, 637 E. 180th St., New York City.
 FISHMAN, M., Birdie Spec. Shop, 2613 Broadway, New York City.
 GLUCK, PHILLIP, 152 Court St., Brooklyn, N. Y.
 GREENBERG, SAMUEL, District Mgr. U. S. Appliance Co., 918 So. Michigan Ave., Chicago.
 HAMRICK, JESSE N., 771 North Paulina St., Chicago, formerly with Prudential Realty Co.
 HATTON, J. L., former manager Martie Sales Co., 4326 Elston Ave., Chicago.
 HOLMES, DUNCAN B., formerly of Greely, Kans., Williamsburg, Kansas and 807 Oak St., Kansas City, Mo.
 HOLZBERG, H., formerly 755 Gravesend Ave., Brooklyn, N. Y.
 HUSTEAD, J. L., formerly at 2507 No. Clark St., Chicago, Ill.
 INTERNATIONAL LEATHER GOODS CO., formerly 95 West Houston St., New York City.
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 LEVY, ALBERT J., Peoples Credit House formerly located 736 Nostrand Ave., Brooklyn, N. Y.
 KORAS, LESTER, Lehigh Lead Co., 150 Nassau St., New York City.
 McLAWS, W. H., Jr., Cicero Auto Exchange, 3401 W. 22nd St., Cicero, Ill.
 McLEON, RALPH, prop., Burlington Steam Laundry, Burlington, Colo.
 MARKOWITZ, BENJ., formerly 622 Myrtle Ave., Brooklyn, N. Y.
 MESSING, ALLEN, 1411 Howard St., Chicago.
 MILLER, FRED Z., formerly Evansville, Ind., believed to have gone to Chattanooga, Tenn.
 MOORE, LOUIS, Louis Moore Knitting Mills, 121 E. 5th St., Cincinnati. Later at 548 W. Madison St., Chicago, Ill.
 OSTRANDER, WM. H., also known as Reliable Radio Co., 244 Taylor St., San Francisco, Cal.
 PAUL, GEORGE W., doing business as Standard Electric Sales Co., Salt Lake City, Utah.
 RALPH, MRS. SONNIE or AARON, formerly of Minneapolis, Minn.
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 SIEGEL, LOUIS H., Siegel's Men's Shop, Cleveland, Ohio.
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 STEINBERG, HARRY, 940 S. 4th St., Philadelphia, Pa.
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 WALSH, J. F., formerly at 1019 North Dearborn St., Chicago, Ill.
 WATKINS, J. C., St. Augustine, Florida, at one time employed by Overman Cushion Tire Co., N. Y., 250 W. 54th St., New York City.
 WELDERS SERVICE CO., 2025 Wall St., Joplin, Mo.
 WILLIAMSON, J. W., formerly at 55 Warren St., Battle Creek, Mich.
 WILSON, WILLIAM, Herington, Kansas, believed to have gone to Borger, Tex.

H. W. Voss Toledo Adjustment Bureau Manager

THE Toledo Association of Credit Men has been fortunate in securing the services of H. W. Voss as Manager of their Adjustment Bureau Department,—as successor to the late H. E. Brittain, who recently met with an untimely death by an automobile accident.

Mr. Voss has had a wide and successful experience as the Adjustment Bureau Manager of the Indianapolis Association. Since leaving Indianapolis, he has been in a commercial business which he now leaves to the great benefit of the credit fraternity, who can count upon his skill in adjustment matters which can be handled from Toledo.

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To investigate composition offers.
To represent claims in Bankruptcy Cases.
To serve in a fiduciary capacity in friendly liquidations.
To serve in a fiduciary capacity in Bankruptcy Cases.
To serve in a fiduciary capacity in the

rehabilitation of debtor's business.
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Collection items are received by Bureaus with the understanding that should developments indicate the necessity of action for all creditors, the interest of one shall be subservient to all. Consider our Adjustment Bureaus as a part of your Credit Department.

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Tacoma—Wholesalers' Association of Tacoma, 803 Tacoma Bldg., E. B. Lung, Sec'y.

WEST VIRGINIA—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr.

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Bluefield—(Branch Office) Tri-State Credit & Adjustment Bureau, Bailey Bldg., R. W. Newton, Mgr.

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Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, Kellogg National Bank Bldg., C. W. Shekey, Mgr.

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